

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of standard filing)
requirements for electric utilities)
with annual revenues of \$50,000,000)
or more on the motion of the)
Commission.)

Case No. U-4771

At a session of the Michigan Public Service Commission held at
its offices in the city of Lansing, Michigan, on the 10th day of
May, 1976.

PRESENT: Hon. Daniel J. Demlow, Chairman
Hon. Lenton G. Sculthorp, Commissioner
Hon. William R. Ralls, Commissioner

OPINION AND ORDER AMENDING

STANDARD RATE APPLICATION

FILING FORMS AND INSTRUCTIONS

By Order of the Commission dated February 24, 1975, standard
filing requirements for major electric rate cases were adopted. The
general purpose for the filing requirements was three-fold and was
discussed in the following manner:

"First, the requirements will make the processing of rate cases
more orderly. Because all parties to the case will share a common
starting point, the Commission will be able to better understand the
financial situation of the applicant utility. Further, each rate case
will be presented with a substantial measure of uniformity and, there-
fore, comparisons among cases will be facilitated.

"Second, the filing requirements will assist in shortening the time required to complete a rate case. With a standard format for rate case filings and standard methods of calculating and presenting particular adjustments, the participants in the process should be able to spend less time in locating and understanding pertinent issues in the case.

"Third, increased and consistent information will be available to the Commission about the relationship of the proposals made in the rate case to the interest of the public in adequate and reliable electric power."

In its order the Commission emphasized that the filing's requirements would in no way impede the ability of all participants in rate cases to raise and argue the issues they viewed as critical. The Commission's purpose, as stated, was to make uniform and standard the presentations made by the parties to the cases.

The filing requirements approved by the Commission on February 24, 1975, have now been used in two major electric rate cases. This actual experience has indicated a need for modifications to further improve the quality and usefulness of the information contained therein. In addition, changes are necessary to conform the filing requirements to various findings and provisions of the Commission's recent orders in The Detroit Edison Company Case No. U-4807 (March 30, 1976) and in Consumers Power Company Case No. U-4840 and Case No. U-4621 (dated April 12, 1976).

Part 1 of the amended filing requirements governs the determination of revenue requirement and an appropriate tariff.

In section A of part 1, the applicant utility must present a complete set of information depicting the condition of the company during its selected test year, as adjusted for certain specific changes occurring outside the test year. The data in section A will serve as a common starting point for filings by all parties, including the applicant utility itself.

Section B of part 1 contains the instructions through which all participants in the case can forward their positions. Section B provides vehicle to dispute calculations of the applicant utility contained in its filing under section A, to propose different treatments of an issue implicit in the section A filing or to raise new issues not implicit in the section A filing.

Part 2 of the amended filing requirements recognizes the Commission's desire to acquire more comprehensive and pertinent data on the future need for electric power and the financial implications of meeting those needs. Included in part 2 will be load growth projections, the necessary construction based upon those projections, the financial resources such construction will require, and the relationship between those financing demands and customer rates.

The Commission emphasizes that these amended requirements may be subject to additional change when and if further actual experience indicates the need for modifications. The Commission will continue to identify and implement, where appropriate, improvements in the provision of information which will assist the Commission in the discharge of its responsibilities. Improving the quality and usefulness of filing requirements will be an ongoing activity of the Commission. The

Commission specifically solicits the comments and suggestions of all interest parties for needed changes.

The Commission FINDS that:

a. Simplification and streamlining of major electric utility rate cases continues to be necessary and in the public interest.

b. A more extensive base of information upon which the Commission can base its decisions continues to be necessary and in the public interest.

c. The filing requirements attached hereto as Attachment A will contribute to the simplification and streamlining of major electric utility rate cases and will provide a better base of information for Commission decisions.

THEREFORE, IT IS ORDERED that:

A. An application for rate relief by an electric utility having gross revenues in excess of \$50 million in the most recent calendar year shall be on the forms and pursuant to the instructions attached hereto as Attachment A.

B. The applicant utility shall file as its application the information required by parts 1 and 2 of Attachment A and shall support such filing with competent testimony on the record, except that the requirements set forth in part 2, section G, need not be introduced as evidence on the record.

C. All other parties and participants to the proceedings on the application for rate relief shall make their filings pursuant to the instructions contained in part 1, section B, and part 2, which are applicable to the issues to be raised by such party or participant, except that intervenors pursuant to Rule 16 of the Rules of Practice and Procedure Before the Commission need not utilize such forms.

D. Out-of-state utilities with Michigan sales may modify their filings to fit their particular circumstances with the express prior approval of the Commission Staff.

The Commission specifically reserves jurisdiction of the matters herein contained and the authority to issue such further order or orders as the facts and circumstances may require.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Daniel J. Demlow
Chairman

/s/ Lenton G. Sculthorp
Commissioner

/s/ William R. Ralls
Commissioner

(S E A L)

By the Commission and pursuant
to its action of May 10, 1976.

/s/ Earl B. Klomparens
Its Secretary

ATTACHMENT A

MICHIGAN PUBLIC SERVICE COMMISSION

RATE CASE FILING REQUIREMENTS

FOR MAJOR ELECTRIC UTILITIES

General Instructions

Part I: Determination of Revenue Requirement and
Appropriate Tariff

Section A: Test Year Standardized Filing Data

The forms on which the applicant utility shall provide certain standard data are set forth in "Index to Standard Schedules Filed with Application for General Rate Relief." Provision is made for recognition of cost level changes occurring within the test year, for unusual occurrences during the test year and for the level of activities at the end of the test year. In addition, provision has been made for the inclusion of specific changes occurring beyond the test year.

The Section A forms also require pro forma test year billing parameters by rate schedule along with calculated revenues under existing rates consistent with the required test year standardized filing data. A statement reconciling actual test year sales and revenues to the pro forma test year sales and revenues by rate schedule should also be included.

Exhibits detailing a fully-distributed cost of service by rate schedules should be submitted. This cost of service data shall be based upon the following apportionment methods:

1. Average twelve month peak demand responsibility.
2. Production and transmission plant assigned as 75% demand related and 25% energy related.
3. Specific distribution plant such as meters and service drops used exclusively for a given customer shall be treated as customer related. All other distribution plant shall be treated as demand related.

It is not necessary that the cost of service analysis consider all of the adjustments to rate base and net operating income made in the test year period. It should show a break down by major functional groupings of the apportionments by rate schedule along with a verbal description of the full procedure used. Exhibits detailing separations studies for nonjurisdictional sales or for jurisdictional sales where such studies are to serve as a specific basis for the determination of appropriate rate levels should be submitted. Joint production plant and joint transmission plant should be apportioned on the basis of average twelve month peak demand responsibility. Such plant should also be assigned as being 75% demand related and 25% energy related.

The separations studies must correspond to the proposed test year and consider all of the adjustments made to rate base and net operating income. It should show a break down by major

Page Three/Part One

functional groupings of the various apportionments along with a verbal description of the full procedure used.

Section B: Test Year Standardized Filing Data Adjusted to Reflect Position of Participating Party (Applicant, Intervenor, Staff)

Any party who wishes to modify any part of Section A, Test Year Standardized Filing Data may do so under this section. All changes should be detailed both as to the effect of the change on Section A and as to the rationale for the change.

For example. If a party feels that the determination of rate base in accordance with the standardized filing data is incomplete, an exhibit should be presented under this Section B showing the change and the effect on the end result of Section A.

It is not practical to adopt forms that would anticipate all conceivable proposed changes. However, all such exhibits should be attached to a Summary Exhibit which is to be used to bring together the standard filing requirements, the changes made thereto and the resulting position of the party.

The reconciling exhibit would work as follows:

Suppose Applicant wants to modify the standards as follows:

Rate Base:

Working Capital is understated	\$ 1,000,000
Plant should be increased by	10,000,000
Total	<u>\$11,000,000</u>

Page Four/Part One

Rate of Return:

Capital Structure is not acceptable and the alternative increases the rate of return	0.10%
Cost of Equity is understated by 2% and that increases the rate of return	<u>1.00</u>
Total Increase in the Rate of Return	<u>1.10%</u>

Alternative Adjustments

Increase the Adjusted Net Operating Income	<u>\$1,000,000</u>
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These would be accounted for on the Summary Exhibit.

PART 1 SECTION B SUMMARY EXHIBIT*

Michigan Public Service Commission

Co. _____

Electrical Jurisdictional Revenue
Deficiency

('000' Omitted)

Test Year _____

Case No. _____

Exhibit A - Page 1 of _____

Witness _____

Date _____

Line	Description	Standard Filing Requirements	Revisions	Revised Position
1.	Jurisdictional Rate Base	\$1,200,000	\$11,000	\$1,211,000
2.	Jurisdictional Adjusted Net Operating Income	84,000	1,000	85,000
3.	Overall Rate of Return	7.00%	**	7.02%
4.	Required Rate of Return	8.00	1.10%	9.10
5.	Jurisdictional Income Require- ments	\$ 96,000	\$14,201	\$ 110,201
6.	Income Deficiency or (Excess) (5-2)	12,000	13,201	25,201
7.	Gross Revenue Conversion Factor	2.086	2.086	2.086
8.	Gross Revenue Deficiency or (Excess)	\$ 25,032	\$27,537	\$ 52,569
9.	Earnings Erosion Allowance	<u>7,510</u>	- - -	<u>7,510</u>
10.	Total	\$ 32,542	\$27,537	\$ 60,079

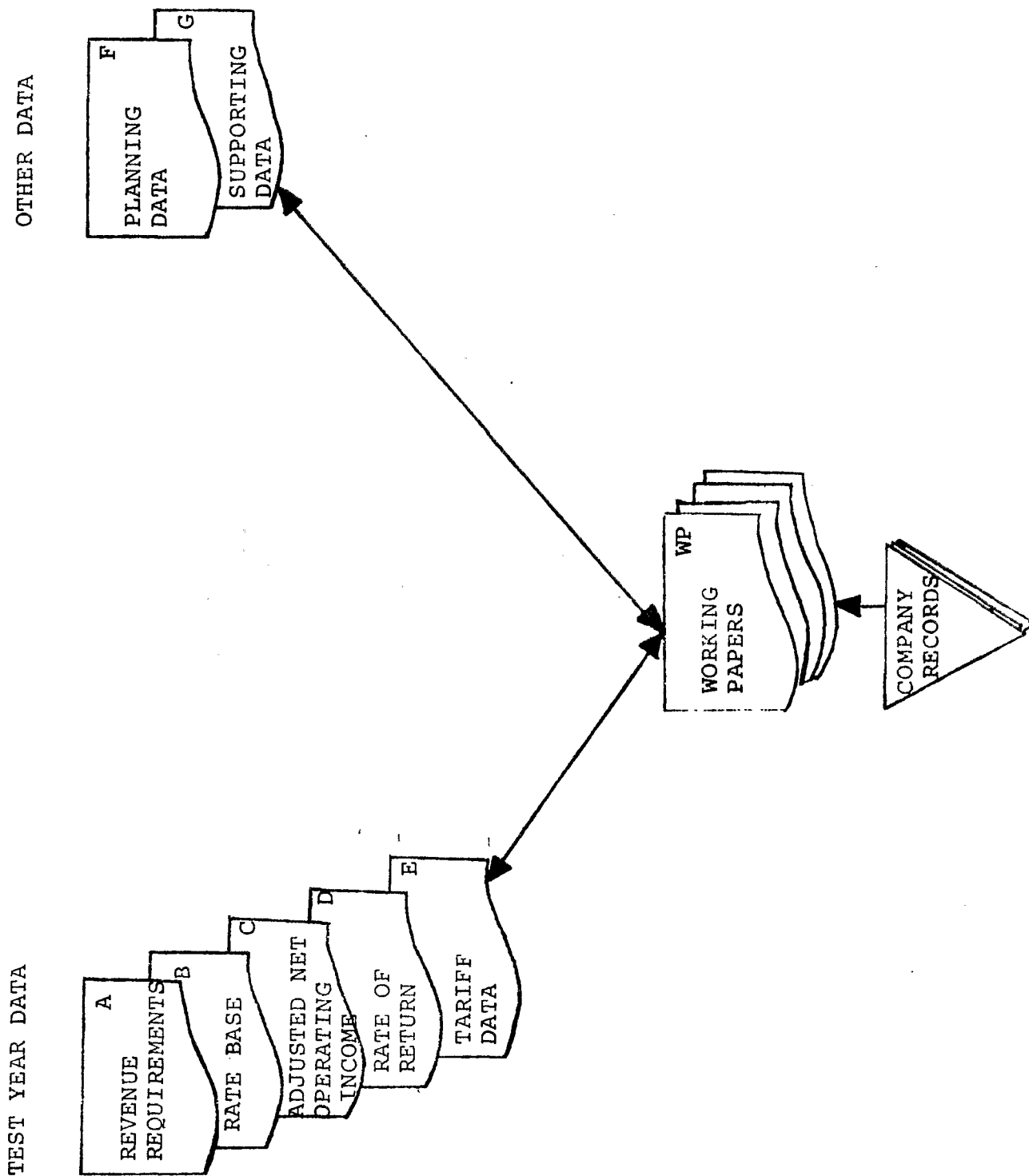
* Amounts are for illustrative purposes only.

Page Six/Part One

All proposed revisions to the existing Electric Rate Tariff shall be included in Section B. An explanation of all such revisions including the underlying reasoning shall be incorporated in the testimony.

All changes in the Tariff other than schedule prices shall be summarized and included as a part of the Tariff Exhibit. Exhibits detailing the manner in which Tariff revisions will generate proposed increased revenues should be submitted. An explanation of all changes in test year billing parameters should be included. A statement reconciling actual test year sales and revenues to pro forma test year sales and revenues by rate schedule should also be included. All schedules requiring average balances shall mean a 13 month average.

MICHIGAN PUBLIC SERVICE COMMISSION
STANDARD FILING REQUIREMENTS



MICHIGAN PUBLIC SERVICE COMMISSION

CASE NO. U-_____

Date _____

GENERAL APPLICATION FOR
CHANGE IN ELECTRIC UTILITY RATES
BEFORE MICHIGAN PUBLIC SERVICE COMMISSION
CLASS A & B UTILITIES

COMPANY NAME: _____

ADDRESS: _____

TELEPHONE: AREA CODE _____ NUMBER _____

COMPANY OFFICIAL TO BE CONTACTED
PERTAINING TO RATE CASE MATTERS: _____

FILING DATE: _____

TITLE OF AUTHORIZED OFFICER: _____

* * * COMMISSION ONLY * * *

DATE RECEIVED BY COMMISSION: _____

DOCKET NUMBER ASSIGNED: _____

RECEIVED BY: _____

DATE ACCEPTED: _____

ACCEPTED BY: _____

NOTIFICATION DATE(S): _____

SCHEDULED PRE-HEARING DATE: _____

MICHIGAN PUBLIC SERVICE COMMISSION

STANDARD FILING REQUIREMENTS

Index Requirements for Standard Schedules

Filed with Application for General Rate Relief

Specific Instructions

-Electric Investor Owned-

Standard schedule designations have been assigned to the major matters with which an electric utility rate case is involved. They are as follows:

- "A" schedules are concerned with revenue requirement data.
- "B" schedules are concerned with rate base data.
- "C" schedules are concerned with adjusted net operating income.
- "D" schedules are concerned with rate of return data.
- "E" schedules are concerned with tariff information.
- "F" schedules are concerned with planning data.
- "G" schedules are concerned with supporting data.

A specific index of required standard schedules has been included with the material that follows. Where additional schedules are required under Sections B or Part 2 of these filing requirements, they should be assigned the appropriate "letter" designation from above and a number designation sequenced from the last number used for the standard schedules.

Page Two

Exhibit numbers have been assigned for the standard schedules designated as "A" through "F". These exhibits must be placed on the record and supported by competent testimony.

Standard schedule "G" consisting of supporting data has been included for the convenience of all participants and is intended to make available that data most often used in the analysis and review of applicant's case. Such data must be included with applicant's filing but need not be used as exhibits unless so desired by any party.

MICHIGAN PUBLIC SERVICE COMMISSION

Index to Standard Schedules Filed with
Application for General Rate Relief

- Electric Investor Owned -

Schedule	Description	Exhibit
A1	Revenue Deficiency (Excess)	A-1
A2	Earnings Erosion Computation	"
A3	Earned Rate of Return on Average Common Equity	"
B1	Adjusted Jurisdictional Electric Rate Base	A-2
B2	Rate Base Adjustments	"
B3	Working Capital Allowance	"
B4	Balance Sheet Assets and Other Debits	"
B5	Balance Sheet Liabilities and Other Credits	"
B6	Net Utility Plant Detail	"
C1	Adjusted Net Operating Income	A-3
C2	Summary of Cost Level Adjustments	"
C3	Summary of Year End Level Adjustments	"
C4	Income Tax Effect of Interest Allowed in Rate Making Formula	"
C5	Gross Revenue Conversion Factor Computation	"
C6	Charitable and Civic Contributions	"
C7	Social and Service Club Memberships	"
C8	Advertising Expenses	"
C9	Offset Study	"
D1	Rate of Return Summary	A-4
D2	Cost of Long Term Debt	"
D3	Cost of Short Term Debt	"
D4	Cost of Preferred Stock	"
D5	Deferred Taxes Summary	"
D6	Cost of Common Equity	"
E1	Section A Summary of Cost of Service by Rate Schedule	A-5
E2	Section A Reconciliation of Actual and Pro Forma Test Year Sales by Rate Schedule	"

E3	Section A Pro Forma Test Year Billing Data by Rate Schedule	A-5
E4	Section B Summary of Present and Proposed Revenues by Rate Schedule	"
E5	Section B Typical Monthly Bills	"
E6	Section B Revenue Calculations by Rate Schedule	"
E7	Section B Reconciliation of Actual and Pro Forma Test Year Sales by Rate Schedule	"
E8	Section B Summary of Tariff Changes Other than Schedule Prices	"
E9	Section B Proposed Tariff Sheets	"
F1	Current Construction Schedules	A-6
G1	Current Annual Report to Stockholders	
G2	Test Year Monthly Financial and Operating Statistical Reports	
G3	Quarterly Reports to Stockholders (Current five quarters)	
G4	Current Form 1	
G5	Prospectuses on Stock or Bond Issues During the Test Year	

Michigan Public Service Commission

Index Requirement for Supporting
Working Papers on Applications for
General Rate Relief

- Electric Investor Owned -

GENERAL: Working papers shall be keyed to the appropriate standard schedule filed with the application for general rate relief.

Such working papers must be indexed and the name of the person(s) who prepared the schedule and date prepared must be clearly indicated.

Source data used for working papers must either be attached and indexed, or clearly identified. Unattached source data must be available for inspection by the parties to the proceedings, upon request.

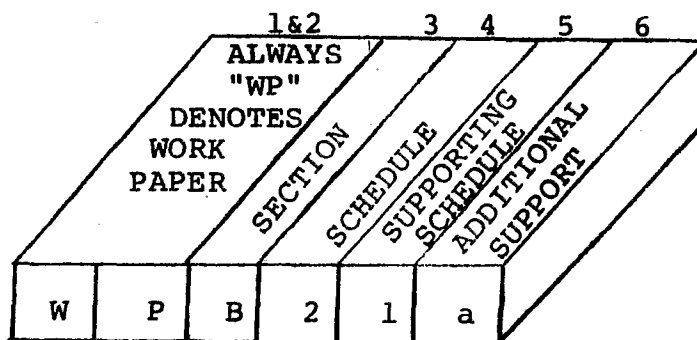
Working papers should be cross-indexed wherever possible to minimize duplication of data.

When assumptions are made in the calculation, allocation, or determination of working paper schedule amounts, narrative or other support should be included so that the reasonableness of the work paper can be reviewed.

The following working paper index key coding system shall be used for all working papers: A maximum of a six position code shall be used, when positions 5 and 6 are not required they shall be left blank.

WORKING PAPER KEY DEFINITION

POSITION



POSITION

DESCRIPTION

- 1 & 2 = "WP" First and Second characters will always be "WP" which denotes Working Papers.
- 3 = Position 3 will always represent the section of standard filing schedules the work papers are related to. The section codes are as follows:
- A = Revenue Requirements
 - B = Rate Base
 - C = Adjusted Net Operating Income
 - D = Rate of Return
 - E = Tariff Information.
 - F = Planning Data
 - G = Supporting Data
 - H = Open - (Used as Required by Applicant)
 - I = Open - (Used as Required by Applicant)
- 4 = Position 4 will always represent the schedule number within a section. The first schedule within a section will always be "1", the second "2", etc. Several standard schedule numbers have been assigned. If the applicant wants to supply additional schedules in any section, the next available (unassigned) schedule number in the appropriate section shall be used.
- 5 = Position 5 shall be used for supporting schedules which feed a specific schedule number identified by the fourth position. The first supporting schedule shall have positions 3 & 4 coded with the section and schedule number which the supporting schedule feeds and it shall be numbered "1", the second "2", etc.

For example:

The standard number assigned to the rate base adjustment summary schedule is: B2 - the 1st adjustment shall be supported by a separate schedule numbered B2-1. The 2nd adjustment supporting schedule shall be coded B2-2. The working papers would be indexed WPB2-1, and WPB2-2 respectively.

- 6 = Position 6 shall only be used (as required) when data is required for supporting a supporting schedule identified by the 5 position digit. The 1st additional supporting schedule shall be identified with the lower case letter "a", the second "b", etc. In all cases where the 6th position is used, the 3rd, 4th, & 5th position characters shall be coded with the section, schedule and supporting schedule which the additional data supports.

For example:

Information provided as additional support for adjustment B2-1 would be coded in the working papers as:

WPB2-1a, b, c, ... etc.

MICHIGAN PUBLIC SERVICE COMMISSION

WORKING PAPER INDEX EXAMPLE

POSITIONS	WORK PAPER SCHEDULE						WORK PAPER DESCRIPTION
	1	2	3	4	5	6	
	WPA1						Revenue Deficiency Calculation Work Paper
	WPB1						Adjusted Jurisdictional Rate Base Work Paper
	WPB1-1						Support for Other Rate Base Deductions (If Any)
	WPB2						Summary of Rate Base Adjustments
	WPB2-1						Rate Base Adjustment Calculation Support
	WPBw-1a						Support for Rate Base Adjustment B2-1 (If Any)
	WPB3						Working Capital Allowance
	WPC1						Adjusted Net Operating Income
	WPC2						Summary of Cost Level Adjustments
	WPC2-1						Wage and Salary Cost Level Adjustments
	WPC2-1a						Support for Wage and Salary Adjustment
	WPC2-2						Pension and Benefits Adjustment
	WPC2-3						Employee Insurance Adjustment
	WPC2-4						Other Cost Level Adjustments
	WPC3						Summary of Year End Adjustments
	WPC3-1						1st Year End Level Adjustment
	WPC3-2						2nd Year End Level Adjustment
	WPC3-3						Other Year End Adjustments
	WPC4						Income Tax Adjustment for Rate Making
	WPC5						Gross Conversion Factor Calculation Schedule

Exhibit A-1 Instructions

Revenue Requirements

Page 1 is a cover sheet.

Page 2 is a summary of the jurisdictional revenue deficiency (excess) determined from the Test Year Standardized Filing Data.

Page 3 is the application of the erosion allowance authorized in recent rate orders to the "current" rate basis.

Page 4 is informational as to the extent that earnings have declined. The source for all information should be the annual reports to this Commission. The allocations to Jurisdictional Electric should be as outlined under Exhibit A-2 and Exhibit A-3. Working Papers should reflect the source of the data and the allocations made to arrive at Jurisdictional Electric.

SCHEDULE A

Case U-_____

Exhibit A-1 Page 1 of 4

Witness _____

Date _____

CO. _____

REVENUE REQUIREMENTS

TEST YEAR _____

- A1 - Revenue Deficiency
- A2 - Earnings Erosion Computation
- A3 - Earned Rate of Return on Average Common Equity

SCHEDULE A1

Michigan Public Service Commission

Co. _____

Electrical Jurisdictional Revenue
Deficiency (Excess)

Test Year _____

Case No. U-

Exhibit A-1 Page 2 of 4

Witness _____

Date _____

Line	Description	Source	Amount
1	Jurisdictional Rate Base	Exh. A-2	
2	Jurisdictional Adjusted Net Operating Income	Exh. A-3	
3	Overall Rate of Return	Line 2 \div Line 1	
4	Required Rate of Return	Exh. A-4	
5	Jurisdictional Income Requirements	Line 1 x Line 4	
6	Income Deficiency (Excess)	Line 5 - Line 2	
7	Gross Revenue Conversion Factor	Exh. A-3	
8	Revenue Deficiency (Excess)	Line 6 x Line 7	
9	Earnings Erosion Allowance	Exh. A-1, Page 3	
10	Jurisdictional Revenue Deficiency	Line 8 + Line 9	

('000' Omitted)

SCHEDULE A2

Michigan Public Service Commission

Co. _____

Computation of Earnings Erosion

Test Year _____

Case No. _____

Exhibit A-1 Page 3 of 4

Witness _____

Date _____

[illegible]

Co. _____

Earned Rate of Return on Average Common Equity

Exhibit A-1 Page 4 of 4

Comparative for Test Year and Four Preceding Years

Date _____

Electric Jurisdictional		Fourth	Third	Second	First		
Line	Description	Preceding Year	Preceding Year	Preceding Year	Preceding Year	Test Year	
1	Operating Revenues						
2	Operating Expenses						
3	Taxes						
4	Net Operating Income						
5	AFDC						
6	Other Income (Net)						
7	Interest Charges						
8	Preferred Dividends						
9	Income Available to Common						
10	Average Common Equity						
11	Earned Rate of Return on Common Equity						
12	Authorized Rate of Return on Common Equity						
('000' Omitted)							

Exhibit A-2 Instructions

Rate Base

Rate base consists of net utility plant plus net nuclear fuel plus working capital minus customer contributed capital.

Net Utility Plant:

The components of the net utility plant are shown on page 2. The "Total Electric" column shall reflect end-of-the-year amounts as recorded and as reported to this Commission.

The Jurisdictional Separations shall separate out only those parts of the business not actually subject to this Commission's jurisdiction. Parts of the business which are nonjurisdictional but which have been specifically included in the rate base by this Commission would be the only exception. (Example: Sale of Ludington Pumped Storage capacity to Commonwealth Edison). Separation of jurisdictional business because the rates related thereto are to be the subject of a separate hearing, if made, should be made under Section B.

The separation principals to be followed are basically the Staff approach of utilizing the 12-month average peak responsibility method and in addition allocating 25% of the costs of Applicant's generation and transmission facilities on an energy basis.

Adjustments to net utility plant should be made where a new generating unit is coming on line within 9 months of the end of the test year requiring the recognition of investment made therein subsequent to the end of the test year.

Working Capital:

The working capital components are reflected on page 5 of the exhibit. The items are to be based on average test year balances.

The separations to jurisdictional should be made consistent with the methods used for net utility plant (i.e. Staff method referred to above).

Other Allowances:

Other allowances may be eligible for inclusion in the rate base. However, in order to establish these standards, we are not including any such allowances here. Any requests for the consideration of these allowances should be included under Section B.

SCHEDULE B

Case U-

Exhibit A-2 Page 1 of 8

Witness _____

Date _____

CO. _____

RATE BASE SCHEDULES

TEST YEAR _____

- B1 - Adjusted Jurisdictional Electric Rate Base
- B2 - Rate Base Adjustments
- B3 - Working Capital Allowance
- B4 - Balance Sheet Assets and Other Debits
- B5 - Balance Sheet Liabilities and Other Credits
- B6 - Net Utility Plant Detail

SCHEDULE B1

Michigan Public Service Commission

Co. _____

Adjusted Jurisdictional
Electric Rate Base
Test Year Ended _____

Case No. U-_____

Exhibit A-2 Page 2 of 8

Witness _____

Date _____

Line	Description	Total Electric	Jurisdic- tional	Adjustments	As Adjusted
1	Utility Plant:				
2	In Service				
3	Held for Future Use				
4	Construction Work in Pro-				
5	gress				
6	Acquisition Adjustment				
7	Total Utility Plant				
8	Accumulated Provision for				
9	Depreciation & Amort.				
10	Plant in Service				
11	Held for Future Use				
11	Total Depreciation &				
	Amort.				
12	Net Utility Plant				
13	Net Nuclear Fuel				
14	Other Deductions:				
15	Retained from Contractors				
16	Customer Advances				
17	Total Deductions				
18	Working Capital Allowance				
19	Total Rate Base				

('000' omitted)

SCHEDULE B2

Michigan Public Service Commission

Case No. U-_____

Co. _____

Exhibit A-2 Page 3 of 8

Summary of Rate Base Adjustments

Witness _____

Test Year Ended _____

Date _____

Line	Adjustment Description	Source	Adjustment Amount
1	Utility Plant Adjustments		
2			
3	In Service: (If Any)		
4	(list)	B2-1	XX
5		B2-2	XX
6		B2-3	XX
7	Total In Service Adjustments		XXX
8			---
9	Held for Future Use: (If Any)		
10	(list)	B2-4	XX
11		B2-5	XX
12		B2-6	XX
13	Total		XXX
14			---
15	Construction Work in Progress		
16	(If Any) (list)	B2-7	XX
17		B2-8	XX
18	Total		XXX
19			---
20	Acquisition Adjustment (If Any)		
21	(list)	B2-9	XX
22	Total		---
23			
24	Accumulated Depreciation &		
25	Amortization (If Any)		
26	(list)	B2-10	XX
27		B2-11	XX
28			XXX
29	Total		---
30			
31	(Continue with Adjustments		
32	as Required)		

('000' Omitted)

SCHEDULE B2-1

Michigan Public Service Commission

Co. _____

Rate Base Adjustment

Name of Adjustment

Case No. U-_____

Exhibit A-2 Page 4 of 8

Witness _____

Date _____

Line Purpose of Adjustment:

Calculation:

All adjustments should be adequately explained on this schedule or on attached working papers. If working papers are used, schedule should be identified as WPB2-1a,b,c...

SCHEDULE B3

Michigan Public Service Commission

Case No. U-

Co. _____

Exhibit A-2 Page 5 of 8

Working Capital Allowance
Electric Rate Base

Witness _____

Date _____

Line	Description**	Source	Total Company	Allocation Basis*	Jurisdic- tional
1	Test Year Operations & Maintenance Expense				
2	Less: Purchased Power & Fuel				
3	Plus: Adjustments to Other O & M Expenses				
4	1/8 O & M Working Capital Base Allowance (.125 x Line 3)				
5	Average Cash & Bank Balances				
6	Average Material & Supplies				
7	Average Prepayments				
8	Average Electric Fuel Inventory				
9	Subtotal				
10	Deduct Average Accrued Taxes:				
11	Property Tax				
12	Michigan Income Tax				
13	Federal Income Tax				
15	Working Capital Allowance				

('000" Omitted)

* Indicate the basis used to allocate from total company to electric jurisdiction.
If necessary, attach a supporting schedule(s) B3-1, B3-2, ...

**All items must be adequately supported by working papers.

SCHEDULE B-4

Michigan Public Service Commission

Case No. U-

Co. _____

Exhibit A-2 Page 6 of 8

TEST YEAR BALANCE SHEETS
Assets and Other Debits

Witness _____

Date _____

Line	Description	(a) Average of Monthly Balance	(b) End of Year
1	Net Utility Plant		
2	Other Property & Investments		
3	Current & Accrued Assets:		
4	Bank Balances		
5	Temporary Cash		
6	Investments		
7	Materials & Supplies		
8	Prepayments		
9	Other Current and Accrued Assets		
10	Total Current and Accrued Assets		
11	Other Deferred Debits (1)		
12	Total Assets and Other Debits		

('000' Omitted)

(1) Transferred Unamortized Debt Expense to Long Term Debt Portion of the Balance Sheet

SCHEDULE B5

Michigan Public Service Commission

Case No. U-_____

Co. _____

Exhibit A-2 Page 7 of 8

Test Year Balance Sheets
Liabilities and Other Credits

Witness _____

Date _____

Line	Description	(a)	(b)
		Average of Monthly Balance	End of Year
1	Proprietary Capital:		
2	Common Equity	XXX	
3	Preferred or Preference	XXX	
4	Total Proprietary Capital		
5			
6	Long Term Debt: (1)		
7	Bonds	XXX	
8	Advances from Associated Companies	XXX	
9	Other Long Term Debt	XXX	
10	Unamortized Premium on Long Term Debt	XXX	
11	Unamortized Discount on Long Term Debt	XXX	
12	Unamortized Debt Expense (2)	XXX	
13	Total Long Term Debt		
14			
15	Total Capital		
16			
17	Current and Accrued Liabilities		
18	Notes Payable		
19	Accrued Taxes:		
20	Federal Income Tax		
21	Michigan Income Tax		
22	Property Taxes		
23	Other Taxes		
24	Other Current and Accrued Liabilities		
25	Total Current and Accrued Liabilities		
26			
27	Deferred Credits:		
28	Customer Advances for Construction		
29	Accumulated Deferred Investment Tax Credits		
30	Job Development		
31	Other Deferred Credits		
32	Total Deferred Credits		
33			
34	Operating Reserves		
35	Contributions in Aid of Construction		
36	Accumulated Deferred Income Taxes		
37			
38	Total Liabilities and Other Credits		

('000' Omitted)

(1) Includes Currently Maturing Long Term Debt

(2) Transferred Unamortized Debt Expense to Long Term Debt Portion of the Balance Sheet from Other Deferred Debits.

SCHEDULE B6

MICHIGAN PUBLIC SERVICE COMMISSION

Case No. U- _____

Co. _____

Exhibit A-2 Page 8 of 8

Test Year Balance Sheets

Witness _____

Net Utility Plant Detail

Date _____

Line	Description	(a)	(b)	(c)
		Total	Electric Utility	Other Utility
1	<u>Average of Monthly Balances</u>			
2	Utility Plant:			
3	In Service			
4	Leased to Others			
5	Held for Future Use			
6	Construction WIP			
7	Acquisition Adjustments			
8				
9	Total Utility Plant			
10				
11	Less Accumulated Provision for			
12	Depreciation, Amortization, &			
13	Depletion:			
14	Plant in Service			
15	Leased to Others			
16	Held for Future Use			
17				
18	Total Depreciation, Amorti-			
19	zation & Depletion			
20				
21	Net Utility Plant Excluding			
22	Nuclear Fuel			
23				
24	Net Nuclear Fuel			
25				
26	Net Utility Plant			
27				
28				
29	<u>End of Year</u>			
30	Utility Plant:			
31	In Service			
32	Leased to Others			
33	Held for Future Use			
34	Construction WIP			
35	Acquisition Adjustments			
36				
37	Total Utility Plant			
38				
39	Less Accumulated Provision for			
40	Depreciation, Amortization &			
41	Depletion:			
42	Plant in Service			
43	Leased to Others			
44	Held for Future Use			

SCHEDULE B6
(Cont.)

Exhibit A-2 Page 8 of 8
Continued

45	Total Depreciation, Amorti-			
46	zation & Depletion			
47				
48	Net Utility Plant Excluding			
49	Nuclear Fuel			
50				
51	Net Nuclear Fuel			
52				
53	Net Utility Plant			

('000' Omitted)

Exhibit A-3 Instructions

Adjusted Net Operating Income

It is not possible to anticipate all adjustments that may be appropriate. However, there are major categories of such adjustments. Others are required consistent with the rate base approach used for Exhibit A-2.

1. Nonjurisdictional net operating income shall not be included with jurisdictional except as noted earlier under the rate base. The adjustments to net operating income shall also be separated out. The principles to be followed should be those described earlier for Exhibit A-2.
2. The allowance for funds used during construction shall reflect the recorded AFUDC allocated to "Jurisdictional".
3. Income from Reacquired Securities shall reflect the actual profit realized during the test year. The income tax computation shall follow the actual method used by the company. The effect on income of this adjustment must be allocated to "jurisdictional".
4. Annualize the most recent rate orders. The test year sales levels should be repriced using the current rates.
5. Cost Level or Income Level Increases. Those increases that occurred within the test year should be annualized. There are a number of techniques used to accomplish this depending on the type of increase. In addition, certain known cost level or income level increases occurring beyond the test year should be adjusted for separately if they occurred within 9 months of the end of the test year and can be identified and reasonably quantified. These are listed on page 3. Depreciation rates that will likely result from other proceedings and which will become effective prior to conclusion of the legislative nine-month mandate should be adjusted for separately.

An offset study conducted in the manner adopted by this Commission shall be made as outlined under Schedule C9. Any offset indicated thereby should be reflected on page 3 of Exhibit A-3. Example: If wages increased

7% on an annual basis and Applicant can offset 3½% in rising annual cost levels, one-half of the cost level adjustment will be disallowed as an "offsetting" adjustment.

6. Adjustments to Year-End Levels.
 - (a) Fuel and purchase power cost changes made to the test year require corresponding appropriate revenue adjustments.
 - (b) Depreciation Expense should reflect year-end plant and currently effective depreciation rates.
 - (c) Property Taxes should reflect the tax base associated with plant as of the end of the test year and the estimated composite tax rate related thereto. Split years may require the use of an estimated tax base.
 - (d) Income Tax effect of Year-End Depreciation should reflect the effect on tax depreciation of year end plant investments.
 - (e) Allowance for Funds Used During Construction should be adjusted by multiplying the year-end AFUDC base included in the rate base on Exhibit A-2 times an AFUDC rate, which reflects any change occurring up to nine months beyond the end of the test year.

7. Income Tax Effect of Interest Allowed for Rate-Making Purposes.

The formula for this adjustment is detailed on page 5.

8. Disallowances.
 - (a) Donations and Contributions except for the Urban Coalition.
 - (b) Advertising except for that related to:
 - public health and safety
 - conservation of energy
 - explanation of billing practices, utility service rates, etc.
 - provision of factual objective data to educational institutions
 - (c) Legislative Advocacy expenses. They should be excluded from the cost of service by making appropriate adjustments on page 2 of A-3.

9. Adjustments related to assuming that a new generating unit going into service within 9 months of the test year was actually in service at year end.
 - (a) The effect on the cost of fuel and purchased power would be reflected on page 4 of Exhibit A-3.
 - (b) Changes in O & M expense.
 - (c) Increase in Property Taxes caused by an increase in Plant Investment (i.e. Tax Base).
 - (d) Increase in Depreciation Expense. (Increase in Plant-in-Service times authorized depreciation rates).
 - (e) Effect on Income Taxes of assuming that income tax depreciation will be taken on the new plant.
 - (f) Eliminate AFUDC related to this assumption reflected in year-end AFUDC.
10. Other normalizing adjustments. Adjustments which normalize the test year not outlined above are appropriate. Some examples are:
 - (a) Effect of a prolonged strike.
 - (b) Understatement or overstatement of revenues (365 $\frac{1}{4}$ days of revenue).
 - (c) Out-of-period items recorded in the test year.
 - (d) Annualize the effect of accounting changes such as going to recorded unbilled revenue.

The key to the appropriateness of such adjustments is that if they were not made, the test year recorded results would be seriously distorted.

An "offset study" should be prepared so as to allow a determination of whether all or any part of changes in cost levels can be absorbed.

Exhibit A-3 reflects the analysis to be performed.

Page 10, Column A reflects recorded results for the beginning of the 5-year study period. Column B reflects the recorded results at the end of the 5-year period adjusted so that the revenues reflect end-of-the-period sales using the rates in effect at the beginning of the period (1972 sales at 1968 rates).

Page 10, Column C amounts are obtained by dividing the Column A operating revenue into the rest of the items shown opposite lines 2 through 20. The same procedure is followed to obtain the figures under Column D from those shown under Column B.

Page 11, Line 1 is self-explanatory. Line 2 represents the year-to-year changes in cost levels beginning with the first year of the study.

Example - Wages, Salaries and Pensions

<u>Year</u>	<u>Rate per Hour</u>	<u>Percent Increase</u>
1968	\$4.41	--
1969	4.87	10.43%
1970	5.26	8.01
1971	5.72	8.75
1972	6.39	11.71
Total Year-to-Year Increase		38.90%

The mathematics for the rest of the figures are self-explanatory.

To determine the effect of rising cost levels and rate increases on the earned rate of return on common equity as shown on page 12, the procedure is as follows:

Determine the earned rate of return on common equity. Divide the Unadjusted Net Income Available for Common Equity obtained for page 10, by recorded average common equity as allocated to the total electric business.

Determine the effect of rate increases on the earned rate of return on common equity. Divide the allocated average common equity into the adjustment made to reduce end-of-the-period operating revenues to reflect beginning-of-the-period rates. The adjustment should be net of its effect on income taxes.

Determine the effect of rising cost levels on the earned rate of return. The end-of-period expenses should be adjusted to reflect beginning-of-the-period cost levels.

For example:

(a)	1972 Wage Rates	6.39%
(b)	1968 Wage Rates	4.41%
(c)	1972 Rates as a Ratio of 1968	1.4490
(d)	1972 Wage Expense	\$74,972,000
(e)	1972 Wages Expense at 1968 Cost Levels (\$74,972,000 ÷ 1.4490)	(\$51,741,000)
(f)	Increase in Cost Levels	\$23,231,000
(g)	Effect of Increase on Income using 1968 Tax Rates	\$11,404,000

The Effect of Increased Cost Levels on the Earned Rate of Return on Common Equity can be obtained by dividing the total dollar effect of rising cost levels by the average common equity.

If there is an ability to offset rising cost levels without resorting to rate increases, the rate of return earned on common equity on line 5 of page 12 would have to increase.

If the line 5 test were positive, the indicated offset on page 11, line 4 could be used in whole or in part to develop the offset adjustment.

Example:

Annual Effect of Wage Adjustment on Wage Rates	7.00%
Indicated Ability to Offset Wage Increases	4.31
% of Wage Adjustment that can be Offset	62%

If the proposed wage adjustment is \$4,000,000 the offset adjustment would be 62% of \$4,000,000 or \$2,480,000.

SCHEDULE C

Case U-

Exhibit A-3 Page 1 of 12

Witness _____

Date _____

CO. _____

ADJUSTED NET OPERATING INCOME

TEST YEAR _____

- C1 - Adjusted Net Operating Income
- C2 - Summary of Cost Level Adjustments
- C3 - Summary of Year End Level Adjustments
- C4 - Income Tax Effect of Interest Allowed in Ratemaking Formula
- C5 - Gross Revenue Conversion Factor Computation
- C6 - Charitable and Civic Contributions
- C7 - Social and Service Club Memberships
- C8 - Advertising Expenses
- C9 - Offset Study

SCHEDULE C1

Michigan Public Service Commission
Co. _____

Case No. U-

Exhibit A-3 Page 2 of 12

Adjusted Net Operating Income
Test Year Ended _____

Witness _____

Date _____

Line	Description	Source	Total Electric	Jurisdiction
1	Recorded Net Operating Income			
2	Allowance For Funds During Construction			
3	Income From Reacquired Securities			
4	Subtotal			
5	Annualized Prior Rate Increases	Sch C3		
6	Cost Level Increases	Sch C2		
7	Adjustments to Year End Levels	Sch C3		
8	Income Tax Effect of Interest Allowed for Rate-making	Sch C4		
9	Disallowances			
10	Other Normalizing Adjustments			
11	Adjusted Net Operating Income			

('000' Omitted)

* All items must be adequately supported by working papers.

SCHEDULE C2

Michigan Public Service Commission

Case No. U-

Exhibit A-3 Page 3 of 12

Summary of Cost Level Adjustments

Witness

Test Year Ended

Date

Line	Description*	Source	Gross Amount	Net of Tax
1	increases Occurring Within the Test Year:			
2	List of Adjustments			
3	Offset for Productivity Increases			
4	Subtotal			
5	Specific Increases Occurring Beyond the Test Year:			
6	Postage			
7	Wages and Salaries			
8	Property Taxes			
9	Depreciation			
10	Offset for Productivity Increases			
11	Subtotal			
12	Total Cost Level Increases			
('000' Omitted)				
* All adjustments must be adequately supported by working papers.				

SCHEDULE C3

Michigan Public Service Commission

Case No. U- _____

Co. _____

Exhibit A-3 Page 4 of 12

Summary of Year End Level Adjustments
Test Year Ended _____

Witness _____

Date _____

Line	Description *	Source	Gross Amount	Net of Tax
1	Adjust Operating Revenues to Year End Levels:			
2	Residential			
3	Commercial & Industrial			
4	Public Authorities			
5	Other			
6	Adjustments to Year End Levels:			
7	Purchased Power			
8	Other Operations & Maintenance			
9	Depreciation			
10	Property Tax			
11	Taxes other than Income			
12	Income Tax Effect of Plant Investment			
13	AFDC Adjusted to Year End Level**			
14	Total Adjustments to Year End Levels			
	('000' Omitted)			

* All adjustments must be adequately supported by working papers.

** This should reflect any change in rate occurring up to nine months beyond the end of the test year.

SCHEDULE C4

Michigan Public Service Commission

Case U-

Co. _____

Exhibit A-3 Page 5 of 12

Income Tax Effect of Interest
Allowed for in the Ratemaking Formula
Test Year Ended _____

Witness _____

Date _____

<u>Line No.</u>		<u>Source</u>	<u>Amount</u>
1	Jurisdictional Rate Base	Exh A-2	
2	Percent of Capital Represented by Debt	Exh A-4	
3	Portion of Rate Base Funded by Debt (Line 1 x Line 2)		
4	Cost of Debt	Exh A-4	
5	Interest Allowed for (Line 3 X Line 4)		
6	Interest Deduction Included in Recorded Income Tax Accruals		
7	- Allocated to Electric		
8	- Allocated to Jurisdictional Electric		
9	Additional Interest Deduction		
10	Income Tax Reduction (Line 9 x Current Income Tax Rate)		

('000' Omitted)

SCHEDULE C5

Michigan Public Service Commission

Case U-

Co.

Exhibit A-3 Page 6 of 12

Gross Revenue Conversion Factor
Computation Test Year Ended

Witness

Date

Line Description

Prepare a schedule showing incremental taxes on gross revenues and the development of a gross revenue conversion factor.

For example:

1.	Income Before Income Taxes	100.000%
2.	Minus State Income Tax Rate	<u>2.350</u>
3.	Federal Tax Base	97.650
4.	Times Federal Income Tax Rate	<u>48.000</u>
5.	Federal Income Tax	46.872
6.	Income After Income Taxes (Line 3 - Line 5)	50.778
7.	Gross Revenue Conversion Factor: (100.000 ÷ 50.778)	1.969

SCHEDULE C6.

Michigan Public Service Commission

Charitable And Civic Contributions
Test Year Ended _____

Case U-

Exhibit A-3 Page 7 of 12

Witness _____

Date _____

Description

Prepare a detailed schedule for the test year showing all charitable and civic contributions by recipient and amount.

SCHEDULE C7

Michigan Public Service Commission

Co. _____

Social and Service Organization
Memberships

Test Year Ended _____

Case _____

Exhibit A-3 Page 8 of 12

Witness _____

Date _____

Description

Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof.

SCHEDULE C8

Michigan Public Service Commission

Case U-

Exhibit A-3 Page 9 of 12

Advertising Expenses
Test Year Ended _____

Witness _____

Date _____

Line	Description	Source	Total	Electric	Jurisdictional
1	Related to Public Health and Safety				
2	Related to Conservation of Energy				
3	Related to Explanation of Billing Practices, Rates, Etc...				
4	Related to Provision of Factual and Objective Data Programs in Educational Institutions				
5	Other Advertising Programs				
6	Total Advertising Expense				

SCHEDULE C9-1*

Michigan Public Service Commission

Case No. _____

1 p. _____

Exhibit A-3 Page 10 of 12

Net Income Available for Common Equity - Electric
1972 and 1968 Compared
After Excluding Rate Increases

Witness _____

Date _____

('000' Omitted)

Test Year _____

Line No.	Dollar Amounts (000 Omitted)		Expressed per Each \$100 of Operating Revenue	
	1972 (A)	1968 (B)	1972 (C)	1968 (D)
1. Operating Revenue	\$364,710	\$286,246	\$100.00	\$100.00
2. Operating Expenses:				
3. Fuel and Purchased power	148,792	62,960	40.80	21.99
4. Wages, Salaries and Pensions	74,972	48,344	20.55	16.89
5. Hospital Insurance	2,673	1,007	0.73	0.35
6. Other O & M Expenses	33,120	20,589	9.08	7.19
7. Depreciation & Amortization	41,721	31,216	11.44	10.91
8. Payroll Taxes	2,392	1,508	0.66	0.53
9. Property Taxes	25,991	17,594	7.13	6.15
10. Income Taxes - State	(1,577)	3,974	(.43)	1.39
11. Income Taxes - Federal	(10,497)	40,818	(2.88)	14.26
12. Other Taxes	2,861	1,291	0.78	0.45
13. Net Capital Gains	(2)	-	-	-
14. Net Operating Expenses	<u>320,446</u>	<u>229,301</u>	<u>87.86</u>	<u>80.11</u>
15. Net Operating Income	44,264	56,945	12.14	19.89
16. Allowance for Funds Used During Construction	23,102	4,389	6.34	1.53
17. Interest Charges	(44,557)	(18,844)	(12.22)	(6.58)
18. Income from Reacquired Long-Term Debt	2,052	1,058	0.56	0.37
19. Preferred Stock Dividend	(7,683)	(2,230)	(2.11)	(0.78)
20. Net Income Available for Common	<u>\$17.178</u>	<u>\$41,318</u>	<u>\$ 4.71</u>	<u>\$14.43</u>

* Amounts are for illustrative purposes only.

SCHEDULE C9-2*

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-3 Page 11 of 11

Historical Ability to Offset Cost Level
Increases for Which Adjustments Have
been Proposed 1968 through 1972

Witness _____

Date _____

('000' Omitted)

Test Year _____

Line No.	Fuel Costs & Purchased Power (A)	Wages Salaries & Pensions (B)	Payroll Taxes (C)
1. Increase in portion \$100 of revenue to cover expenses:			
a) in 1968	\$21.99	\$16.89	\$.53
b) in 1972	40.88	20.55	.66
c) increase	18.89	3.66	.13
d) % Increase Since 1967	85.90%	21.67%	24.53%
2. Expected Increase without offset (ie rise in cost levels)	44.23%	338.90%	45.57%
3. Increase in Cost Levels that have been offset without increased use of revenue dollars (2 ÷ 1d)	-	17.23%	21.04%
4. Average Increases that were offset (Line 3 ÷ 4.00)	-	4.31%	5.26%
5. Part of line 4 that can be offset without depressing earnings (See page 3)	-0-	-0-	-0-

Note: Group Hospital, Interest Charges & Preferred Stock Dividends were
also studied with no offset indicated.

* Amounts are for illustrative purposes only.

SCHEDULE C9-3*

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-3 Page 12 of _____

Stability of the Earned Rate of Return
On Common Equity - Electric
1968 & 1972 Compared

Witness _____

Date _____

('000' Omitted)

Test Year _____

<u>Line No.</u>	<u>1968 (A)</u>	<u>1972 (B)</u>
1. Earned Rate of Return on Common Equity Unadjusted	12.46%	9.10%
2. Effect on the Earned Rate of Return on Common of:		
3. Eliminating Rate Increases Since 1968	-	(6.13)
4. Eliminating Increased Cost Levels Since 1968,	<u>1.16</u>	<u>7.51</u>
5. Earned Rate of Return on Common Equity Assuming no Rate Increases or Cost Level Increases as Noted below	<u>13.62%</u>	<u>10.48%</u>

1. Cost Levels were put on a common basis as between 1968 & 1972 for Fossil Fuels; Income Taxes; Wages, Salaries and Pensions; Hospital & Surgical Benefits; Payroll Taxes; Interest Charges; and Preferred Dividends.

* Amounts are for example purposes only.

Exhibit A-4 Instructions

Rate of Return

The computation of the rate of return involves four specific determinations. These are:

1. Capital Structure
2. Cost of Debt (Long and Short Term)
3. Cost of Preferred Stock
4. Cost of Common Equity

The capital structure, required on page 2 of Exhibit A-4, is based on the average of 13 monthly balances. Long Term Debt is total debt outstanding and gives consideration to Unamortized Premiums, Discounts and Financing Expense. Preferred Stock is the total of all preferred and preference stock outstanding, and is also determined net of the associated premiums and discounts and financing expense. Common equity reflects the other Propriety Capital Accounts, such as Capital Stock, Retained Earnings, Undistributed Earnings, etc. Short-term Debt has also been included in the determination of the cost of debt.

Deferred Income Taxes and the Accumulated Deferred Investment Tax Credits are treated as "zero cost capital." However, the Job Development Investment Tax Credit Accumulation has not been included in the zero cost capital component.

The calculation of the weighted cost of Long-Term Debt capital will rely primarily upon the Net Proceeds method. This will enable us to determine the net cost of maturity based on the interest coupon and the net proceeds the company receives when a new issue is sold. The net proceeds to the Company is the price that investors pay for the bonds, less the underwriters' compensation and the expense of financing-- such as cost of printing the prospectus, legal fees, accountant fees, etc. The net cost to maturity rate for debt capital based on the net proceeds method, can be obtained from bond value tables that spread the discount, premium, and other financing costs over the life of the bonds on a compound interest basis. If the bonds have a serial maturity, or a fixed sinking fund requirement which retires a significant amount of the bonds prior to maturity, then a weighted average maturity should be used. When using comprehensive bond tables, if the exact price does not appear in the table columns, a process known as "interpolation" will be necessary to find the nearest correct cost. "Interpolation" is a matter of proportion, as it is based upon the assumption that changes in the bond table values are proportionate. This assumption is not absolutely correct, but the degree of variance is too small to be serious. To illustrate the use of interpolation, assume a 4% bond is to run for 20 years, and costs the issuer \$108.00 after accounting for all underwriting costs, expenses and other costs. Using comprehensive bond value tables to determine net cost rate, one would look under the 4% coupon heading, in the 20-year column to find the rates immediately above and below \$108.00 (or 108.00). A typical bond value table may show the nearest figures encompassing the figure 108.00 to be 108.66

and 105.67, which give net yields of 3.40% and 3.60%, respectively. The required net yield (or cost rate in our case) is therefore between 3.40% and 3.60% in this instance. The difference between the two numbers that bracket the solution sought, is 2.99 (108.66 minus 105.67), and the difference in yield is 0.20 percent (3.60 less 3.40). The given price of \$108.00 being 2.33 greater than 105.67, will therefore yield $2.33/2.99$ of 0.20 percent LESS than 3.60 percent, or $.66/2.99$ of 0.20 percent greater than 3.40 percent, making the net yield, or cost rate for our purposes, 3.444 percent ($3.60 \text{ less } 0.1558 = 3.444$; or $3.40 \text{ plus } 0.044 = 3.444$).

The second method of calculating the net cost of bond debt may be approximated by dividing the annual expense (interest expense, plus or minus the annual amortization of bond discount or premium) by the average value to maturity (as adjusted by accumulation credits or amortization charges). As an illustration, assume a 4% (\$100) bond due in 20 years, which brought net proceeds of \$108.00 to the issuing Company (after deducting all fees, expenses, etc.), what would it's approximate cost rate (to maturity) be?

The problem could be set up thusly:

Annual interest cost	\$4.00 (4% of \$100)
Minus	
Annual amortization of premium.....	<u>-0.40</u> (\$108 less \$100 ÷ 20 years)
Equals	
Total cost to Company.....	\$3.60
Divided by	
Average value of bond.....	\$104 (\$108 + \$100 ÷ 2)
Equals	
Net cost rate to maturity.....	3.46% (\$3.60 ÷ \$104)

To calculate the overall embedded, or historical cost of debt, one would then multiply the total dollar amount outstanding for an issue by its calculated cost based on the net proceeds received, using the above described method. The result would be the annual interest cost for that single debt issue. Complete the calculation for each outstanding issue the Company has. Then, sum up both the total amount outstanding column and the annual interest cost column. Finally, divide the grand total of the annual interest cost column by the grand total of the long-term debt outstanding column; the resulting quotient will be the embedded debt cost rate.

Any senior securities issued beyond the end of the test year should have their costs calculated in the same manner as the above described processes for debt issues; and the amount of the later issues, along with their calculated annual interest costs should be incorporated into the overall embedded debt cost calculation.

The cost rate for Preferred Stock is determined in a way similar to that method used for Debt, with one principal difference: Preferred Stock has no maturity, in most cases. The only exception might exist if the Preferred Stock has a fixed Sinking Fund of sufficient amount to

retire a substantial part of the issue within a reasonable period. In the latter situation, we would then have to consider the problem of maturity.

To determine Preferred Stock cost, we would divide the annual dividend requirement, per share, by the Net Proceeds that the issuing Company received per share at the time a new issue was sold. The Net Proceeds is the price investors pay for the Preferred or Preference Stock, less the underwriters' compensation and the expense of financing. To calculate the overall embedded cost of preferred stock, one would then multiply total dollar value of the net proceeds outstanding by that issue's calculated cost. The result would be the annual interest cost for that single Preferred Stock issue. Complete the calculation for each Preferred Stock issue outstanding. Then sum up both the total value of net proceeds column and the annual interest cost column. Finally, divide the grand total of the total value of net proceeds column into the grand total figure of the annual interest cost column. The resulting quotient will be the embedded Preferred Stock cost rate.

Any Preferred Stock issued beyond the end of the test year should have its costs calculated in the same manner as described above for Preferred Stock. Where actual underwriters' compensation and other financing expenses are unknown, or only partially available, then an estimated allowance may be acceptable, based on the pertinent prospectus or some other validly reasonable proof. This should prove amply satisfactory for cost calculation purposes, since such expenses usually represent such a small part of the cost for these issues.

Notes Payable or other short-term debt should reflect the latest actual cost of issues outstanding at the end of the test year.

The cost of common equity should reflect the latest cost of common equity authorized by the Commission. Note that the Applicant is encouraged to put in whatever evidence he feels is appropriate under Section B of these filing requirements relative to changing the cost of common equity.

SCHEDULE D

Case _____

Exhibit A-4 Page 1 of 7

Witness _____

Date _____

CO. _____

RATE OF RETURN

TEST YEAR _____

- D1 - Rate of Return Summary
- D2 - Cost of Long Term Debt
- D3 - Cost of Short Term Debt
- D4 - Cost of Preferred Stock
- D5 - Deferred Taxes Summary
- D6 - Cost of Common Equity

SCHEDULE D1

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-4 Page 2 of 7

Rate of Return Summary

Witness _____

Test Year Ended _____

Date _____

Line	Description	Capital Structure		Cost	Weighted Cost
		Amount	Percent		
1	Long Term Debt				
2	Short Term Debt				
3	Preferred Stock				
4	Common Equity				
5	Deferred Investment Credit (net of job credit)				
6	Deferred Income Taxes				
7	Total				

Michigan Public Service Commission

SCHEDULE D2

Case No. U-

Co.: (IN BOLD TYPE)

Long-Term Debt Cost

Exhibit A-4 Page of

Cost of Long-Term Debt
At Test Year Ended:

Witness:

Date:
Cost Based

Line	Description	Date Sold	Amount of Offering (\$000)	Price to Public	Underwriters' Compensation	Expenses of Financing	Net Proceeds Received by the Company	On Net Proceeds (%)	Amount Outstanding (\$)	Annual Cost (col. g x h)
1	Bonds: (List)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
2	(Example:)									
3	Series J, 5 $\frac{1}{4}$ % due	11/2/1952	\$ 75,000	101.52	0.74	0.82	99.96	5.25%	\$ 75,000,000	\$ 3,937,500
4	in 1982									
5	or									
6										
7										
8	First Mortg. 7.5%,	May 5, 1965	50,000	99.96	0.50	0.61	98.85	7.604%	50,000,000	3,802,000
9	due in 1990		60,000	102.25	0.45	0.60	101.20	7.895%	58,000,000	4,579,100
10	1st Mtg. 8%, due 2000	11/1970								
11	Notes: (List)									
12										
13										
14										
15										
16										
17										
18										
19										
20	TOTALS									
21										
22	Weighted Avg. Cost									
23	(Total col. i + the total of col. h)									

Note: The cost rate showing under above column "g" is calculated using bond value tables, as described in narrative material accompanying this Schedule, or the second method outlined there.

SCHEDULE D3

Michigan Public Service Commission

Case No. U-

C

Exhibit A-4 Page 4 of 7

Short Term Debt

Witness

Test Year Ended

Date

<u>Line</u>	<u>(a)</u> <u>Issue</u> (List)	<u>(b)</u> <u>Amt. Outstanding</u>	<u>(c)</u> <u>Interest Rate</u>	<u>(d)</u> <u>Interest Require-</u> <u>ment</u>
Totals				
Weighted Avg. Cost (d ÷ b)				

Michigan Public Service Commission

Co. : (IN BOLD FACE TYPE)Preferred and Preference Stock
at Test Year Ended: _____

SCHEDULE D4

Preferred Stock CostCase No. U-Exhibit A-4 Page of

Witness: _____

Date: _____

PER SHARE

Line	Description	Annual Dividend Required	Par Value	Fees and Expense of Financing	Discount or (Premium)	Net Proceeds to Company	Number of Shares Outstanding	Total Value of 1/ Net Proceeds	Cost ² / Rate	Annual Dollar ³ / Amount
1.	(List)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
2.										
3.										
4.	EXAMPLE:									
5.	6% Series, \$100 Par	\$6.00	\$100.00	2.56	(2.22)	99.66	550,000	\$ 54,813,000	6.02%	\$3,299,743
6.										
7.	\$5 Preference, \$1 Par	\$5.00	\$ 1.00	1.20	(49.00)	48.80	500,000	24,400,000	10.25	2,501,000
8.										
9.	7% Series, \$50 Par	\$3.50	\$ 50.00	0.80	(0.50)	49.70	300,000	14,910,000	7.04	1,049,664
10.	8% Series, \$100 Par	\$8.00	\$100.00	0.75	(2.25)	101.50	450,000	45,675,000	7.88	3,599,190
11.										
12.										
13.										
14.	TOTAL							<u>\$139,798,000</u>		<u>\$10,449,597</u>
15.	Weighted Avg. Cost (Total of column "f" divided by total in column "g").								<u>7.47%</u>	

Note #1: The "Total Value of Net Proceeds" (see above column "g"), is obtained by multiplying the "Number of Shares Outstanding" (column "f"), by the "Net Proceeds Per Share to Company" (column "e").

Note #2: The "Cost Rate" (see above column "h"), is obtained by dividing the "Annual Dividend Required per Share" (column "a"), by the "Net Proceeds per Share to Company" (column "e").

Note #3: The "Annual Dollar Amount" under column "i" above, is obtained by multiplying the "Total Value of Net Proceeds" in column "g" by the "Cost Rate" in column "h".

SCHEDULE D5

Michigan Public Service Commission

Co. _____

Deferred Taxes Summary

1st Year Ended _____

Case No. U-_____

Exhibit A-4 Page 6 of 7

Witness _____

Date _____

Line	Description	Test Year End	Adjustments*	Proposed
	Accumulated Deferred Investment Credits (list)			
	Less: Job Investment Tax Credits			
	Total Deferred Investment Credits			
	Accumulated Deferred Income Taxes: (list)			
	Total Deferred Income Taxes			

* All adjustments must be adequately supported.

SCHEDULE D6

Michigan Public Service Commission

Co. _____

Cost of Common Equity

Test Year Ended _____

Case No. _____

Exhibit A-4 Page 7 of 7

Witness _____

Date _____

SCHEDULE E

Case U-

Exhibit A-5 Page of

Witness _____

Date _____

CO. _____

TARIFF DATA

TEST YEAR _____

- E1 - Section A Summary of Cost of Service by Rate Schedule
- E2 - Section A Reconciliation of Actual and Pro Forma Test
Year Sales by Rate Schedule
- E3 - Section A Pro Forma Test Year Billing Data by Rate Schedule
- E4 - Section B Summary of Present and Proposed Revenue by Rate
Schedule
- E5 - Section B Typical Monthly Bills
- E6 - Section B Revenue Calculations by Rate Schedules
- E7 - Section B Reconciliation of Actual and Pro Forma Test Year
Sales by Rate Schedule
- E8 - Section B Summary of Tariff Changes Other Than Schedule
Prices
- E9 - Section B Proposed Tariff Sheets

SCHEDULE F1

Michigan Public Service Commission
Co. _____
Current Construction Schedules

Case U- _____
Exhibit A-6 Page ____ of ____
Witness _____
Date _____

Description

(Describe current construction schedules in terms of impact upon reliability and availability of service. A time frame of ten years should be used. Planned in-service dates of specific generating units should be provided.)

MICHIGAN PUBLIC SERVICE COMMISSION

RATE CASE FILING REQUIREMENTS
FOR MAJOR ELECTRIC UTILITIES IN 1976

Part 2: Projected Customer Demand and
Estimated Construction and Financial
Requirements to Meet Such Demand

Applicant shall file and set forth on the record its estimated future construction requirements to meet projected customer demand. In addition, Applicant shall file and set forth on the record the financial requirements and estimated revenue levels necessary to support the estimated construction requirements. Data for the year of filing shall be supplied as the starting point for this analysis. Then in succession, similar data shall be supplied for the following five calendar years. Because of extended lead times required in the construction of generating plants, data relative to customer demand and projected availability and capacity factors (items 1 and 3 below) shall be supplied for ten calendar years including the year of filing. The format shall be such as to facilitate comparison between the projections for each calendar year.

It is imperative that testimony, exhibits and workpapers clearly document the methodologies utilized in arriving at each projected item, the variables utilized, the actual assumptions adopted and the sources of these assumptions, whether internal or external to the Company. If historic data is utilized in making the projections, any adjustments to actually recorded data must be documented. In addition, in many cases, short term procedures for forecasting (that is, up to two years in the future) could be concerned with different variables and methodologies than long term forecasts. These differences should be documented.

At the minimum, the following information shall be included:

1. Projected customer demand.

To the extent possible projections must be determined by utilizing standard statistical testing procedures so that purely judgmental projections are minimized and must include the following:

- kwh sales by class of customer including sales to other utilities;
- low, high and mean projections of demand, by year, which satisfy a 90% confidence interval test;
- mean demand projections for future years by month;
- load duration curves for each future year;
- space heating and air-conditioning saturation projections for each year for residential customers and for commercial customers (the latter would, for instance, be measured in terms of saturation per square foot);
- weather sensitive portion of projected summer and winter peaks;
- coincident load factors by customer class and for the total system;
- system requirements by year including system losses and projected sales to other systems.

2. Target reserve levels.

- state the reserve capacity in megawatts and as a percentage of peak demand which has been determined by the Applicant to be the acceptable level for the system concerned;

- on what basis were the above levels calculated (e.g., loss of load probability analysis, etc.)

3. Estimated availability and capacity factors of in-service generation.

- provide factors for each year for the total system and by generating plant;
- provide specific explanation of abnormal plant capacity factors.

4. Estimated construction requirements.

Complete detail of both methodology and assumptions should be provided for each of the five cases given below in projecting yearly construction budgets:

- Case A: Given mean demand and reserve as projected by the Company;
- Case B: Given demand to be the low estimate of the 90% confidence interval plus reserves;
- Case C: Given demand to be the high estimate of the 90% confidence interval plus reserves;
- Case D: Given mean demand as projected by the Company and a 5 percentage point decrease in the percentage of peak demand reserve requirements;
- Case E: Given mean demand as projected by the Company and a 5 percentage point increase in the percentage of peak demand reserve requirement.

5. Estimated rate level changes.

A comparative analysis of required rate changes shall be given. The analysis should include the following:

- Rate Base projections should follow the format of Exhibit A-2, page 2 of 8;
- Rate of Return projections should follow the format of Exhibit A-4, page 2 of 7. However, preferred stock should be further divided into convertible and non-convertible stock and deferred income taxes should be divided into Federal and Michigan taxes;
- Revenue Deficiency projections should follow the format of Exhibit A-1, page 2 of 4 deleting the earnings erosion allowance;
- Projections of Adjusted Net Operating Income should include a minimum of the following items:
 - a. kwh sales revenues by rate class including a specific explanation of the estimation procedure (e.g., average rate method, etc.);
 - b. fuel clause revenues;
 - c. other revenues;
 - d. operation and maintenance labor expense;
 - e. fuel expense including plant names, type of fuel utilized, unit fuel price by plant, projected kwh to be generated by plant, fuel cost per kwh by plant, summary of above information by type of plant (e.g., nuclear, oil, etc.);
 - f. purchase and interchange power expense including type of purchase (e.g., economy energy, long-term purchases, etc.), transacting parties and kwh to be sold or purchased from each, portion of expense attributable to fuel charges, capacity charges and other charges;

- g. other operation and maintenance expense;
 - h. depreciation and amortization expense including categories of plant projected and amount of each, methodologies of projecting each category, and depreciation rates utilized; methodology utilized in projecting amortization of nuclear fuel should also be included;
 - i. property tax;
 - j. other general taxes by type of tax where possible;
 - k. income taxes;
 - l. A.F.D.C. including rates utilized in the projections;
 - m. income from reacquired securities;
- Jurisdictional Separation methodologies should be documented.

6. Financing requirements.

Such projections shall take the format of a source and use of funds statement.

7. Estimated impact of environmental regulations.

Many of the items discussed above include things which are specifically attributable to environmental requirements. The impact of these regulations should be specified here and must include the following:

- specific environmental projects to be undertaken in each future year;
- projects that are required to be undertaken and the agency or law which requires it;
- yearly impact of each project on forecast construction costs and a breakdown of the costs of each project as far as possible.

- yearly impact of each project on forecast expense items (e.g., operation and maintenance expense, fuel expense, etc.);
- yearly impact of each project on forecast revenue deficiencies;
- impact of each project on availability and capacity factors of the overall system.

8. Ten year management objectives.

An executive of the Company shall present in narrative form a discussion of goals, problems and areas of emphasis covering this forecast period (10 years). Points to be covered include the following:

- major problems faced today or to be faced in the future in providing adequate electric service for the residents of the service area;
- management's proposed solution to each problem anticipated;
- alternative courses of action in providing adequate service.

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of standard filing)	
requirements for electric utili-)	
ties with annual revenues of)	
\$400,000,000 or more on the motion)	Case No. U-4771
of the Commission.)	
_____)	

At a session of the Michigan Public Service Commission held at its offices in the city of Lansing, Michigan, on the 24th day of February, 1975.

PRESENT: Hon. William G. Rosenberg, Chairman
Hon. Lenton G. Sculthorp, Commissioner
Hon. William R. Ralls, Commissioner

OPINION AND ORDER ADOPTING

STANDARD RATE APPLICATION

FILING FORMS AND INSTRUCTIONS

The Commission has dual and complementary responsibilities in the regulation of electric utilities. Within the limits of its statutory powers, the Commission must attempt to assure adequate and reliable electric power for the public at the lowest possible cost and must provide investors in electric utilities a fair return on their investment.

It is evident from the experience of recent years that the traditional regulatory process requires modification if the Commission is to effectively discharge its responsibilities. The number of participants in major rate cases and the scope of their

participation have steadily grown. As the questions which underlie utility regulation have become more complex, the decisions required of the Commission have become more complicated and difficult. As a result, the time, energy, and expense necessary to complete a major rate case have increased. Additionally, the fundamental issues surrounding the availability of power in the future have become more salient. It is clear that all of these new forces require the Commission to continually monitor its procedures and to take the actions necessary to improve the rate case process.

There is no shortcut which will enable the Commission to make rate decisions more quickly and, at the same time, have and consider all pertinent information. Instead, a variety of devices must be tested and employed to both streamline the process and insure that the pertinent data are available to the Commission. The Commission has previously taken steps to modernize its regulation of electric utilities, including the use of forward-looking test years and requiring extensive investigation into innovative types of rate design. The Commission is convinced that it is now appropriate to take another step through the adoption of standard filing requirements for major electric rate cases.

The general purpose for the filing requirements is three-fold.

First, the requirements will make the processing of rate cases more orderly. Because all parties to the case will share a common starting point, the Commission will be able to better understand the financial situation of the applicant utility. Further, each rate case will be presented with a substantial measure of uniformity and, therefore, comparisons among cases will be facilitated.

Second, the filing requirements will assist in shortening the time required to complete a rate case. With a standard format for rate case filings and standard methods of calculating and presenting particular adjustments, the participants in the process should be able to spend less time in locating and understanding pertinent issues in the case.

Third, increased and consistent information will be available to the Commission about the relationship of the proposals made in the rate case to the interest of the public in adequate and reliable electric power.

Standard filing formats are not unusual. They are utilized in several other regulatory jurisdictions and are commonly acknowledged to produce favorable results.

Importantly, the Commission emphasizes that the requirements it is adopting in no way impede the ability of all participants in rate cases to raise and argue the issues they view as critical. To create such an impediment would serve neither the utility

nor the public well. The Commission's purpose is only to make uniform and standard the presentations made by the parties to the cases.

Part 1 of the filing requirements governs the determination of revenue requirement and an appropriate tariff.

In section A of Part 1, the applicant utility must present a complete set of information depicting the condition of the company during its selected test year, as adjusted for certain specific changes occurring outside the test year. The data in section A will serve as a common starting point for filings by all parties, including the applicant utility itself.

Section B of Part 1 contains the instructions through which all participants in the case can forward their positions. Section B will be used to dispute calculations of the applicant utility contained in its filing under section A, to propose different treatments of an issue implicit in the section A filing, or to raise new issues not implicit in the section A filing.

Section C of Part 1 implements the requirement established by the Commission in Case No. U-4576, Re Consumers Power Company and Case No. U-4570, Re Detroit Edison Company for a projected test year extending twelve months beyond the selected test year.

Part 2 of the filing requirements is an effort by the Commission to acquire more comprehensive and pertinent data on the

likely need for electric power in the future and the financial implications of meeting those needs. Included in Part 2 will be load growth projections, the necessary construction based upon those projections, the financial resources such construction will require, and the relationship between those financing demands and customer rates.

Finally, in Part 3 information of a more specific and impending nature is required. The applicant utility will describe for the Commission the financial and service implications of its current construction plans.

The Commission emphasizes that these requirements may be subject to change as actual experience indicates the need for modifications. The Commission will continue to identify and implement, where appropriate, improvements in the provision of information which will assist the Commission in the discharge of its responsibilities. Specifically, the Commission will refine the content of these filing requirements and examine the desirability of implementing rate case filing requirements based on other account classifications, including a functional classification of accounts, similar to FPC Form 1. Improving the quality and usefulness of filing requirements will be an ongoing activity of the Commission. The Commission specifically solicits the comments and suggestions of all interested parties for needed changes.

The Commission FINDS that:

- A. Simplification and streamlining of major electric utility rate cases are necessary and in the public interest.
- B. A more extensive base of information upon which the Commission can base its decisions is necessary and in the public interest.
- C. The filing requirements attached hereto as Attachment A will contribute to the simplification and streamlining of major electric utility rate cases and will provide a better base of information for Commission decisions.

THEREFORE, IT IS ORDERED that:

- 1. An application for rate relief by an electric utility having gross revenues in excess of \$400 million in the most recent calendar year shall be on the forms and pursuant to the instructions attached hereto as Attachment A.
- 2. The applicant utility shall file as its application the information required by Parts 1, 2, and 3 of Attachment A and shall support such filing with competent testimony on the record, except that the requirements set forth in Part 2, section G, need not be introduced as evidence on the record.

3. All other parties and participants to the proceedings on the application for rate relief shall make their filings pursuant to the instructions contained in Part 1, sections B and C, Part 2, and Part 3 which are applicable to the issues to be raised by such party or participant, except that intervenors pursuant to Rule 16 of the Rules of Practice and Procedure Before the Commission need not utilize such forms.

The Commission specifically reserves jurisdiction of the matters herein contained and the authority to issue such further order or orders as the facts and circumstances may require.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ William G. Rosenberg
Chairman

(S E A L)

/s/ Lenton G. Sculthorp
Commissioner

Commissioner William R. Ralls is
issuing a separate Opinion,
concurring in part, dissenting in part.

By the Commission and pursuant to
its action of February 24, 1975.

/s/ Earl B. Klomparens
Its Secretary

ATTACHMENT A

MICHIGAN PUBLIC SERVICE COMMISSION

RATE CASE FILING REQUIREMENTS

FOR MAJOR ELECTRIC UTILITIES IN 1975

General Instructions

Part I: Determination of Revenue Requirement and
Appropriate Tariff

Section A: Test Year Standardized Filing Data

The forms on which the applicant utility shall provide certain standard data are set forth in "Index to Standard Schedules Filed with Application for General Rate Relief." Provision is made for recognition of cost level changes occurring within the test year, for unusual occurrences during the test year and for the level of activities at the end of the test year. In addition, provision has been made for the inclusion of specific changes occurring beyond the test year.

The Section A forms also require pro forma test year billing parameters by rate schedule along with calculated revenues under existing rates consistent with the required test year standardized filing data. A statement reconciling actual test year sales and revenues to the pro forma test year sales and revenues by rate schedule should also be included.

Exhibits detailing a fully-distributed cost of service by rate schedules should be submitted. This cost of service data shall be based upon the following apportionment methods:

1. Average twelve month peak demand responsibility.
2. Production and transmission plant assigned as 75% demand related and 25% energy related.
3. Specific distribution plant such as meters and service drops used exclusively for a given customer shall be treated as customer related. All other distribution plant shall be treated as demand related.

It is not necessary that the cost of service analysis consider all of the adjustments to rate base and net operating income made in the test year period. It should show a break down by major functional groupings of the apportionments by rate schedule along with a verbal description of the full procedure used. Exhibits detailing separations studies for nonjurisdictional sales or for jurisdictional sales where such studies are to serve as a specific basis for the determination of appropriate rate levels should be submitted. Joint production plant and joint transmission plant should be apportioned on the basis of average twelve month peak demand responsibility. Such plant should also be assigned as being 75% demand related and 25% energy related.

The separations studies must correspond to the proposed test year and consider all of the adjustments made to rate base and net operating income. It should show a break down by major

Page Three/Part One

functional groupings of the various apportionments along with a verbal description of the full procedure used.

Section B: Test Year Standardized Filing Data Adjusted to Reflect Position of Participating Party (Applicant, Intervenor, Staff)

Any party who wishes to modify any part of Section A, Test Year Standardized Filing Data may do so under this section. All changes should be detailed both as to the effect of the change on Section A and as to the rationale for the change.

For example. If a party feels that the determination of rate base in accordance with the standardized filing data is incomplete, an exhibit should be presented under this Section B showing the change and the effect on the end result of Section A.

It is not practical to adopt forms that would anticipate all conceivable proposed changes. However, all such exhibits should be attached to a Summary Exhibit which is to be used to bring together the standard filing requirements, the changes made thereto and the resulting position of the party.

The reconciling exhibit would work as follows:

Suppose Applicant wants to modify the standards as follows:

Rate Base:

Working Capital is understated	\$ 1,000,000
Plant should be increased by	<u>10,000,000</u>
Total	\$11,000,000

Page Four/Part One

Rate of Return:

Capital Structure is not acceptable and the alternative increases the rate of return	0.10%
Cost of Equity is understated by 2% and that increases the rate of return	<u>1.00</u>
Total Increase in the Rate of Return	<u>1.10%</u>

Alternative Adjustments

Increase the Adjusted Net Operating Income	<u>\$1,000,000</u>
---	--------------------

These would be accounted for on the Summary Exhibit.

PART 1 SECTION B SUMMARY EXHIBIT*

Michigan Public Service Commission

Co. _____

Electrical Jurisdictional Revenue
Deficiency

('000' Omitted)

Test Year _____

Case No. _____

Exhibit A - Page 1 of _____

Witness _____

Date _____

Line	Description	Standard Filing Requirements	Revisions	Revised Position
1.	Jurisdictional Rate Base	\$1,200,000	\$11,000	\$1,211,000
2.	Jurisdictional Adjusted Net Operating Income	84,000	1,000	85,000
3.	Overall Rate of Return	7.00%	**	7.02%
4.	Required Rate of Return	8.00	1.10%	9.10
5.	Jurisdictional Income Require- ments	\$ 96,000	\$14,201	\$ 110,201
6.	Income Deficiency or (Excess) (5-2)	12,000	13,201	25,201
7.	Gross Revenue Conversion Factor	2.086	2.086	2.086
8.	Gross Revenue Deficiency or (Excess)	\$ 25,032	\$27,537	\$ 52,569
9.	Earnings Erosion Allowance	<u>7,510</u>	- - -	<u>7,510</u>
10.	Total	\$ 32,542	\$27,537	\$ 60,079

* Amounts are for illustrative purposes only.

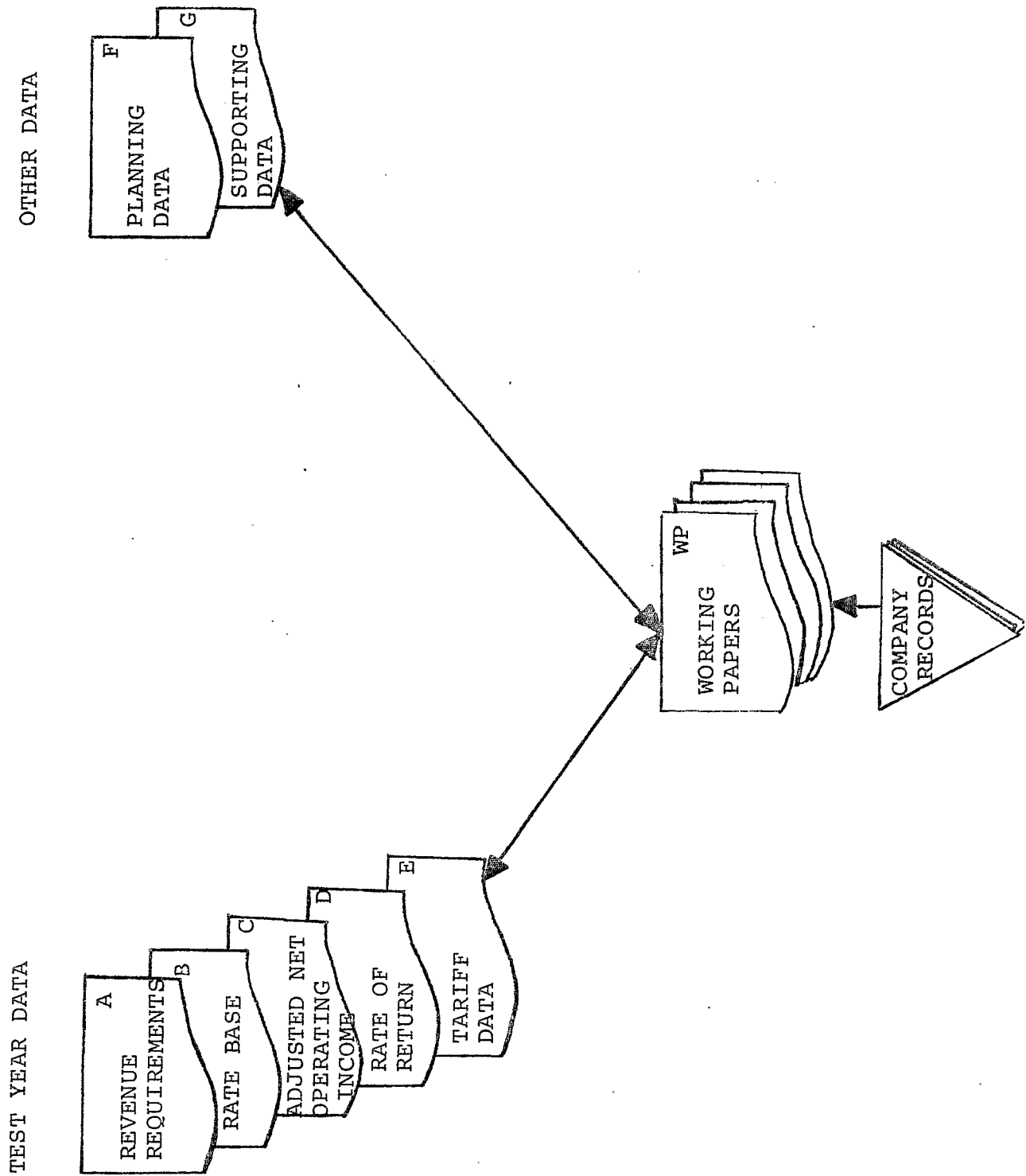
All proposed revisions to the existing Electric Rate Tariff shall be included in Section B. An explanation of all such revisions including the underlying reasoning shall be incorporated in the testimony.

All changes in the Tariff other than schedule prices shall be summarized and included as a part of the Tariff Exhibit. Exhibits detailing the manner in which Tariff revisions will generate proposed increased revenues should be submitted. An explanation of all changes in test year billing parameters should be included. A statement reconciling actual test year sales and revenues to pro forma test year sales and revenues by rate schedule should also be included.

Section C: Projected Test Year Data Based Upon Twelve Month
Period Immediately Following the Proposed Test
Year

Exhibits detailing a projected test year for the twelve month period immediately following the proposed test year should be submitted. The format of the projected test year should follow that of the proposed test year so as to facilitate comparisons. All underlying assumptions should be succinctly summarized and the underlying reasoning should be incorporated in the testimony.

MICHIGAN PUBLIC SERVICE COMMISSION
STANDARD FILING REQUIREMENTS



SCHEDULE B6
(Cont.)

Exhibit A-2 Page 8 of 8
Continued

45	Total Depreciation, Amorti-			
46	zation & Depletion			
47				
48	Net Utility Plant Excluding			
49	Nuclear Fuel			
50				
51	Net Nuclear Fuel			
52				
53	Net Utility Plant			

('000' Omitted)

Exhibit A-3 Instructions

Adjusted Net Operating Income

It is not possible to anticipate all adjustments that may be appropriate. However, there are major categories of such adjustments. Others are required consistent with the rate base approach used for Exhibit A-2.

1. Nonjurisdictional net operating income shall not be included with jurisdictional except as noted earlier under the rate base. The adjustments to net operating income shall also be separated out. The principles to be followed should be those described earlier for Exhibit A-2.
2. The allowance for funds used during construction shall reflect the recorded AFUDC allocated to "Jurisdictional".
3. Income from Reacquired Securities shall reflect the actual profit realized during the test year. The income tax computation shall follow the actual method used by the company. The effect on income of this adjustment must be allocated to "jurisdictional".
4. Annualize the most recent rate orders. The test year sales levels should be repriced using the current rates.
5. Cost Level or Income Level Increases. Those increases that occurred within the test year should be annualized. There are a number of techniques used to accomplish this depending on the type of increase. In addition, certain known cost level or income level increases occurring beyond the test year should be adjusted for separately if they occurred within 9 months of the end of the test year and can be identified and reasonably quantified. These are listed on page 3. Depreciation rates that will likely result from other proceedings and which will become effective prior to conclusion of the legislative nine-month mandate should be adjusted for separately.

An offset study conducted in the manner adopted by this Commission shall be made as outlined under Schedule C9. Any offset indicated thereby should be reflected on page 3 of Exhibit A-3. Example: If wages increased

7% on an annual basis and Applicant can offset 3½% in rising annual cost levels, one-half of the cost level adjustment will be disallowed as an "offsetting" adjustment.

6. Adjustments to Year-End Levels.

- (a) Fuel cost changes should be assumed to be completely offset by the FCAC. Any cost offset due to operation of the FCAC should be reflected in purchased power costs. Net purchased power should reflect any adjustments related to new generating units going on line up to nine months beyond the test year being included as plant in service.
- (b) Depreciation Expense should reflect year-end plant and currently effective depreciation rates.
- (c) Property Taxes should reflect the tax base associated with plant as of the end of the test year and the estimated composite tax rate related thereto. Split years may require the use of an estimated tax base.
- (d) Income Tax effect of Year-End Depreciation should reflect the effect on tax depreciation of year end plant investments.
- (e) Allowance for Funds Used During Construction should be adjusted by multiplying the year-end AFUDC base included in the rate base on Exhibit A-2 times an AFUDC rate, which reflects any change occurring up to nine months beyond the end of the test year.

7. Income Tax Effect of Interest Allowed for Rate-Making Purposes.

The formula for this adjustment is detailed on page 5.

8. Disallowances.

- (a) Donations and Contributions except for the Urban Coalition.
- (b) Advertising except for that related to:
 - public health and safety
 - conservation of energy
 - explanation of billing practices, utility service rates, etc.
 - provision of factual objective data to educational institutions
- (c) Legislative Advocacy expenses. They should be excluded from the cost of service by making appropriate adjustments on page 2 of A-3.

9. Adjustments related to assuming that a new generating unit going into service within 9 months of the test year was actually in service at year end.
 - (a) The effect on the cost of fuel and purchased power would be reflected on page 4 of Exhibit A-3.
 - (b) Changes in O & M expense.
 - (c) Increase in Property Taxes caused by an increase in Plant Investment (i.e. Tax Base).
 - (d) Increase in Depreciation Expense. (Increase in Plant-in-Service times authorized depreciation rates).
 - (e) Effect on Income Taxes of assuming that income tax depreciation will be taken on the new plant.
 - (f) Eliminate AFUDC related to this assumption reflected in year-end AFUDC.
10. Other normalizing adjustments. Adjustments which normalize the test year not outlined above are appropriate. Some examples are:
 - (a) Effect of a prolonged strike.
 - (b) Understatement or overstatement of revenues (365½ days of revenue).
 - (c) Out-of-period items recorded in the test year.
 - (d) Annualize the effect of accounting changes such as going to recorded unbilled revenue.

The key to the appropriateness of such adjustments is that if they were not made, the test year recorded results would be seriously distorted.

An "offset study" should be prepared so as to allow a determination of whether all or any part of changes in cost levels can be absorbed.

Exhibit A-3 reflects the analysis to be performed.

Page 10, Column A reflects recorded results for the beginning of the 5-year study period. Column B reflects the recorded results at the end of the 5-year period adjusted so that the revenues reflect end-of-the-period sales using the rates in effect at the beginning of the period (1972 sales at 1968 rates).

Page 10, Column C amounts are obtained by dividing the Column A operating revenue into the rest of the items shown opposite lines 2 through 20. The same procedure is followed to obtain the figures under Column D from those shown under Column B.

Page 11, Line 1 is self-explanatory. Line 2 represents the year-to-year changes in cost levels beginning with the first year of the study.

Example - Wages, Salaries and Pensions

<u>Year</u>	<u>Rate per Hour</u>	<u>Percent Increase</u>
1968	\$4.41	--
1969	4.87	10.43%
1970	5.26	8.01
1971	5.72	8.75
1972	6.39	<u>11.71</u>
Total Year-to-Year Increase		38.90%

The mathematics for the rest of the figures are self-explanatory.

To determine the effect of rising cost levels and rate increases on the earned rate of return on common equity as shown on page 12, the procedure is as follows:

Determine the earned rate of return on common equity. Divide the Unadjusted Net Income Available for Common Equity obtained for page 10, by recorded average common equity as allocated to the total electric business.

Determine the effect of rate increases on the earned rate of return on common equity. Divide the allocated average common equity into the adjustment made to reduce end-of-the-period operating revenues to reflect beginning-of-the-period rates. The adjustment should be net of its effect on income taxes.

Determine the effect of rising cost levels on the earned rate of return. The end-of-period expenses should be adjusted to reflect beginning-of-the-period cost levels.

For example:

(a)	1972 Wage Rates	6.39%
(b)	1968 Wage Rates	<u>4.41%</u>
(c)	1972 Rates as a Ratio of 1968	1.4490
(d)	1972 Wage Expense	\$74,972,000
(e)	1972 Wages Expense at 1968 Cost Levels (\$74,972,000 ÷ 1.4490)	<u>(\$51,741,000)</u>
(f)	Increase in Cost Levels	\$23,231,000
(g)	Effect of Increase on Income using 1968 Tax Rates	\$11,404,000

The Effect of Increased Cost Levels on the Earned Rate of Return on Common Equity can be obtained by dividing the total dollar effect of rising cost levels by the average common equity.

If there is an ability to offset rising cost levels without resorting to rate increases, the rate of return earned on common equity on line 5 of page 12 would have to increase.

If the line 5 test were positive, the indicated offset on page 11, line 4 could be used in whole or in part to develop the offset adjustment.

Example:

Annual Effect of Wage Adjustment on Wage Rates	7.00%
Indicated Ability to Offset Wage Increases	4.31
% of Wage Adjustment that can be Offset	62%

If the proposed wage adjustment is \$4,000,000 the offset adjustment would be 62% of \$4,000,000 or \$2,480,000.

SCHEDULE C

Case U-

Exhibit A-3 Page 1 of 12

Witness _____

Date _____

CO. _____

ADJUSTED NET OPERATING INCOME

TEST YEAR _____

- C1 - Adjusted Net Operating Income
- C2 - Summary of Cost Level Adjustments
- C3 - Summary of Year End Level Adjustments
- C4 - Income Tax Effect of Interest Allowed in Ratemaking Formula
- C5 - Gross Revenue Conversion Factor Computation
- C6 - Charitable and Civic Contributions
- C7 - Social and Service Club Memberships
- C8 - Advertising Expenses
- C9 - Offset Study

SCHEDULE C1

Michigan Public Service Commission
Co. _____

Case No. U-

Exhibit A-3 Page 2 of 12

Witness _____

Date _____

Adjusted Net Operating Income
Test Year Ended _____

Line	Description	Source	Total Electric	Jurisdiction
1	Recorded Net Operating Income			
2	Allowance For Funds During Construction			
3	Income From Reacquired Securities			
4	Subtotal			
5	Annualized Prior Rate Increases	Sch C3		
6	Cost Level Increases	Sch C2		
7	Adjustments to Year End Levels	Sch C3		
8	Income Tax Effect of Interest Allowed for Rate-making	Sch C4		
9	Disallowances			
10	Other Normalizing Adjustments			
11	Adjusted Net Operating Income			

('000' Omitted)

* All items must be adequately supported by working papers.

SCHEDULE C2

Michigan Public Service Commission

Case No. U-

1o. _____

Exhibit A-3 Page 3 of 12

Summary of Cost Level Adjustments
Test Year Ended _____

Witness _____

Date _____

Line	Description*	Source	Gross Amount	Net of Tax
1	Increases Occurring Within the Test Year:			
2	List of Adjustments			
3	Offset for Productivity Increases			
4	Subtotal			
5	Specific Increases Occurring Beyond the Test Year:			
6	Postage			
7	Wages and Salaries			
8	Property Taxes			
9	Depreciation			
10	Offset for Productivity Increases			
11	Subtotal			
12	Total Cost Level Increases			
('000' Omitted)				
* All adjustments must be adequately supported by working papers.				

Michigan Public Service Commission

Co. _____

Exhibit A-3 Page 4 of 12

Summary of Year End Level Adjustments

Witness

Date _____

(' 000 ' omitted)

** Any cost offset due to operation of the FCAC should be reflected here. Where there has been a change made in plant in service due to new generating units going on line up to nine months beyond the test year, this item should reflect the new generation available to the electric system.

*** This should reflect any change in rate occurring up to nine months beyond the end of the test year.

SCHEDULE C4

Michigan Public Service Commission

Case U-

Co. _____

Exhibit A-3 Page 5 of 12

Income Tax Effect of Interest
Allowed for in the Ratemaking Formula
Test Year Ended _____

Witness _____

Date _____

Line No.		Source	Amount
1	Jurisdictional Rate Base	Exh A-2	
2	Percent of Capital Represented by Debt	Exh A-4	
3	Portion of Rate Base Funded by Debt (Line 1 x Line 2)		
4	Cost of Debt	Exh A-4	
5	Interest Allowed for (Line 3 X Line 4)		
6	Interest Deduction Included in Recorded Income Tax Accruals		
7	- Allocated to Electric		
8	- Allocated to Jurisdictional Electric		
9	Additional Interest Deduction		
10	Income Tax Reduction (Line 9 x Current Income Tax Rate)		

('000' Omitted)

SCHEDULE C5

Michigan Public Service Commission

Co. _____

Gross Revenue Conversion Factor
Computation Test Year Ended _____

Case U- _____

Exhibit A-3 Page 6 of 12

Witness _____

Date _____

Line Description

Prepare a schedule showing incremental taxes on gross revenues and the development of a gross revenue conversion factor.

For example:

1.	Income Before Income Taxes	100.000%
2.	Minus State Income Tax Rate	<u>7.800</u>
3.	Federal Tax Base	92.200
4.	Times Federal Income Tax Rate	<u>48.000</u>
5.	Federal Income Tax	44.256
6.	Income After Income Taxes (Line 3 - Line 5)	47.944
7.	Gross Revenue Conversion Factor: (100.000 ÷ 47.944)	2.086

SCHEDULE C6

Michigan Public Service Commission

b. _____

Charitable And Civic Contributions
Test Year Ended _____

Case U-

Exhibit A-3 Page 7 of 12

Witness _____

Date _____

Description

Prepare a detailed schedule for the test year showing all charitable and civic contributions by recipient and amount.

SCHEDULE C7

Michigan Public Service Commission
Co. _____
Social and Service Organization
Memberships
Test Year Ended _____

Case _____
Exhibit A-3 Page 8 of 12
Witness _____
Date _____

Description

Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof.

SCHEDULE C8

Michigan Public Service Commission

Case U-

Co. _____

Exhibit A-3 Page 9 of 12

Advertising Expenses

Witness _____

Test Year Ended _____

Date _____

Line	Description	Source	Total	Electrics	Jurisdictiona
1	Related to Public Health and Safety				
2	Related to Conservation of Energy				
3	Related to Explanation of Billing Practices, Rates, Etc...				
4	Related to Provision of Factual and Objective Data Programs in Educational Institutions				
5	Other Advertising Programs				
6	Total Advertising Expense				

SCHEDULE C9-1*

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-3 Page 10 of 12

Net Income Available for Common Equity - Electric
1972 and 1968 Compared
After Excluding Rate Increases

Witness _____

Date _____

('000' Omitted)

Test Year _____

Line No.	Dollar Amounts (000 Omitted)		Expressed per Each \$100 of Operating Revenue	
	1972 (A)	1968 (B)	1972 (C)	1968 (D)
1. Operating Revenue	<u>\$364,710</u>	<u>\$286,246</u>	<u>\$100.00</u>	<u>\$100.00</u>
2. Operating Expenses:				
3. Fuel and Purchased power	148,792	62,960	40.80	21.99
4. Wages, Salaries and Pensions	74,972	48,344	20.55	16.89
5. Hospital Insurance	2,673	1,007	0.73	0.35
6. Other O & M Expenses	33,120	20,589	9.08	7.19
7. Depreciation & Amortization	41,721	31,216	11.44	10.91
8. Payroll Taxes	2,392	1,508	0.66	0.53
9. Property Taxes	25,991	17,594	7.13	6.15
10. Income Taxes - State	(1,577)	3,974	(.43)	1.39
11. Income Taxes - Federal	(10,497)	40,818	(2.88)	14.26
12. Other Taxes	2,861	1,291	0.78	0.45
13. Net Capital Gains	(2)	-	-	-
14. Net Operating Expenses	<u>320,446</u>	<u>229,301</u>	<u>87.86</u>	<u>80.11</u>
15. Net Operating Income	44,264	56,945	12.14	19.89
16. Allowance for Funds Used During Construction	23,102	4,389	6.34	1.53
17. Interest Charges	(44,557)	(18,844)	(12.22)	(6.58)
18. Income from Reacquired Long-Term Debt	2,052	1,058	0.56	0.37
19. Preferred Stock Dividend	(7,683)	(2,230)	(2.11)	(0.78)
20. Net Income Available for Common	<u>\$17.178</u>	<u>\$41.318</u>	<u>\$ 4.71</u>	<u>\$14.43</u>

* Amounts are for illustrative purposes only.

SCHEDULE C9-2*

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-3 Page 11 of 1

Historical Ability to Offset Cost Level
Increases for Which Adjustments Have
been Proposed 1968 through 1972

Witness _____

('000' Omitted)

Date _____

Test Year _____

Line No.	Fuel Costs & Purchased Power (A)	Wages Salaries & Pensions (B)	Payroll Taxes (C)
1. Increase in portion \$100 of revenue to cover expenses:			
a) in 1968	\$21.99	\$16.89	\$.53
b) in 1972	40.88	20.55	.66
c) increase	<u>18.89</u>	<u>3.66</u>	<u>.13</u>
d) % Increase Since 1967	85.90%	21.67%	24.53%
2. Expected Increase without offset (ie rise in cost levels)	44.23%	338.90%	45.57%
3. Increase in Cost Levels that have been offset without increased use of revenue dollars (2 ÷ 1d)	-	17.23%	21.04%
4. Average Increases that were offset (Line 3 ÷ 4.00)	-	4.31%	5.26%
5. Part of line 4 that can be offset without depressing earnings (See page 3)	-0-	-0-	-0-

Note: Group Hospital, Interest Charges & Preferred Stock Dividends were also studied with no offset indicated.

* Amounts are for illustrative purposes only.

SCHEDULE C9-3*

Michigan Public Service Commission

Case No. _____

Co. _____

Exhibit A-3 Page 12 of 1

Stability of the Earned Rate of Return
On Common Equity - Electric
1968 & 1972 Compared

Witness _____

Date _____

('000' Omitted)

Test Year _____

<u>Line No.</u>	<u>1968 (A)</u>	<u>1972 (B)</u>
1. Earned Rate of Return on Common Equity Unadjusted	12.46%	9.10%
2. Effect on the Earned Rate of Return on Common of:		
3. Eliminating Rate Increases Since 1968	-	(6.13)
4. Eliminating Increased Cost Levels Since 1968,	<u>1.16</u>	<u>7.51</u>
5. Earned Rate of Return on Common Equity Assuming no Rate Increases or Cost Level Increases as Noted below	<u>13.62%</u>	<u>10.48%</u>

1. Cost Levels were put on a common basis as between 1968 & 1972 for Fossil Fuels; Income Taxes; Wages, Salaries and Pensions; Hospital & Surgical Benefits; Payroll Taxes; Interest Charges; and Preferred Dividends.

* Amounts are for example purposes only.

Exhibit A-4 Instructions

Rate of Return

The computation of the rate of return involves four specific determinations. These are:

1. Capital Structure
2. Cost of Debt (Long and Short Term)
3. Cost of Preferred Stock
4. Cost of Common Equity

The capital structure, required on page 2 of Exhibit A-4, is based on the average of 13 monthly balances. Long Term Debt is determined net of Unamortized Premiums, Discounts and Expense. Preferred Stock is determined net of the associated Premium Discount and Stock Expense. Common Equity reflects the other Propriety Capital Accounts not reflected as Preferred. Short Term has also been included in the determination of cost of debt.

Deferred Income Taxes and the Accumulated Deferred Investment Tax Credits are treated as "zero cost" capital. However, the Job Development Tax Credit Accumulation has not been included in the zero cost capital component.

The weighted cost of debt is determined by multiplying the actual cost of each issue by the amounts of debt outstanding at the end of the test year. The amount outstanding is determined net of premiums, discounts and expenses associated with each issue. Securities issued beyond the end of the test year should be reflected net of premiums, discounts and expense as of the issue date. New securities issued up to 9 months beyond the test year should be included.

The weighted cost of Preferred should be computed by Determining the Dividend Requirement associated with the amount of each issue outstanding at the end of the test year. The weighted cost is determined by dividing the total amount outstanding net of the premium discount and expense into the total dividend requirements. New Preferred issued up to 9 months beyond the test year should be reflected net of premium discount and expense as of the date of issue.

Notes Payable or other short-term debt should reflect the latest actual cost of issues outstanding at the end of the test year.

The cost of common equity should reflect the latest cost of common equity authorized by the Commission. Note that the Applicant is encouraged to put in whatever evidence he feels is appropriate under Section B of these filing requirements relative to changing the cost of common equity.

SCHEDULE D

Case _____

Exhibit A-4 Page 1 of 7

Witness _____

Date _____

CO. _____

RATE OF RETURN

TEST YEAR _____

- D1 - Rate of Return Summary
- D2 - Cost of Long Term Debt
- D3 - Cost of Short Term Debt
- D4 - Cost of Preferred Stock
- D5 - Deferred Taxes Summary
- D6 - Cost of Common Equity

SCHEDULE D1

Michigan Public Service Commission
Co. _____

Case No. _____

Exhibit A-4 Page 2 of 7

1 Rate of Return Summary

Witness _____

Test Year Ended _____

Date _____

Line	Description	Capital Structure		Cost	Weighted Cost
		Amount	Percent		
1	Long Term Debt				
2	Short Term Debt				
3	Preferred Stock				
4	Common Equity				
5	Deferred Investment Credit (net of job credit)				
6	Deferred Income Taxes				
7	Total				

Michigan Public Service Commission

SCHEDULE D2

Case No. U-

Co. _____

Exhibit A-4 Page 3 of 7

Cost of Long Term Debt
Test Year Ended _____

Witness _____

Date _____

Line	Description	(a) Date Sold	(b) Principal Amount	(c) Amount Outstanding	(d) Unamort. Disc.&Prem.	(e) Unamort. Debt Exp.	(f) Carrying Value(1)	(g) Annual(2) Interest Cost	(h) Embedded Cost(3)
1	Bonds: (list)								
2									
3									
4									
5									
6									
7									
8									
9									
10	Notes: (list)								
11									
12									
13									
14									
15									
16									
17									
18									
19									
20	Totals								
21	Weighted Avg.								
22	Cost								
23	h ÷ f								

(1) Carrying Value = c-d-e

(2) Annual interest cost includes amortization of Discount or Premium

(3) Embedded Cost = g ÷ f

SCHEDULE D3

Michigan Public Service Commission

Case No. U-

Co. _____

Exhibit A-4 Page 4 of 7

Short Term Debt

Witness _____

Test Year Ended _____

Date _____

<u>Line</u>	(a) <u>Issue</u> (List)	(b) <u>Amt. Outstanding</u>	(c) <u>Interest Rate</u>	(d) <u>Interest Require-</u> <u>ment</u>
Totals				
Weighted Avg. Cost (d ÷ b)				

Michigan Public Service Commission

SCHEDULE D4

Case No. _____

Co. _____

Exhibit A-4 Page 5 of 7

Cost of Preferred Stock
Test Year Ended _____

Witness _____
Date _____

Line	Description	(a) Date Sold	(b) Total Par Value	(c) Total Amount Outstanding	(d) Net Expenses	(e) Net Proceeds	(f) Cost of Stock	(g) Annual Dividends
1	(list)							
2								
3								
4								
5								
6								
7								
8								
9								
10	Total							
11								
12	Cost of Preferred							
13	(g ÷ e)							
14								
15								

SCHEDULE D5

Michigan Public Service Commission

Co. _____

Deferred Taxes Summary

Test Year Ended _____

Case No. U-

Exhibit A-4 Page 6 of 7

Witness _____

Line	Description	Test Year End	Date Adjustments*	Proposed
	Accumulated Deferred Investment Credits (list)			
	Less: Job Investment Tax Credits			
	Total Deferred Investment Credits			
	Accumulated Deferred Income Taxes: (list)			
	Total Deferred Income Taxes			

* All adjustments must be adequately supported.

SCHEDULE D6

Michigan Public Service Commission

Co. _____

Cost of Common Equity

Test Year Ended _____

Case No. _____

Exhibit A-4 Page 7 of 7

Witness _____

Date _____

Utilize a 12.12% cost of common equity.

SCHEDULE E

Case U- _____

Exhibit A-5 Page ____ of ____

Witness _____

Date _____

CO. _____

TARIFF DATA

TEST YEAR _____

- E1 - Section A Summary of Cost of Service by Rate Schedule
- E2 - Section A Reconciliation of Actual and Pro Forma Test
Year Sales by Rate Schedule
- E3 - Section A Pro Forma Test Year Billing Data by Rate Schedule
- E4 - Section B Summary of Present and Proposed Revenue by Rate
Schedule
- E5 - Section B Typical Monthly Bills
- E6 - Section B Revenue Calculations by Rate Schedules
- E7 - Section B Reconciliation of Actual and Pro Forma Test Year
Sales by Rate Schedule
- E8 - Section B Summary of Tariff Changes Other Than Schedule
Prices
- E9 - Section B Proposed Tariff Sheets

SCHEDULE F1

Michigan Public Service Commission

Co. _____

Current Construction Schedules

Case U- _____

Exhibit A-6 Page ____ of ____

Witness _____

Date _____

Description

(Describe current construction schedules in terms of impact upon reliability and availability of service. A time frame of ten years should be used. Planned in-service dates of specific generating units should be provided.)

MICHIGAN PUBLIC SERVICE COMMISSION

RATE CASE FILING REQUIREMENTS

FOR MAJOR ELECTRIC UTILITIES IN 1975

Part 2: Projected Customer Demand and
Estimated Construction and Financial
Requirements to Meet Such Demand

Applicant shall file and set forth on the record its estimated future construction requirements to meet projected customer demand. In addition, Applicant shall file and set forth on the record the financial requirements and estimated revenue levels necessary to support the estimated construction requirements. At a minimum, the following information shall be included:

1. Projected customer demand and system load factor.
2. Target reserve levels.
3. Estimated overall capacity factor of in-service generation.
4. Estimated construction requirements in terms of capacity and cost.
5. Financing requirements, including source and disposition of funds.
6. Necessary overall rate level changes by amount and percent of change.

Data for the year of filing along with all underlying major assumptions shall be supplied as the starting point for this analysis.

Page Two/Part Two

Then in succession, similar data and its underlying assumptions shall be supplied for the following calendar year, the third following calendar year, and the fifth following calendar year. The format shall be such as to facilitate comparison between the projections for each calendar year. A major premise to be followed is that customer load requirements on an industry accepted probability basis will be fully met.

The effect of a one-half percent absolute variation in the projected growth rate of customer demand up or down on the estimates of required overall rate levels shall also be provided.

MICHIGAN PUBLIC SERVICE COMMISSION

RATE CASE FILING REQUIREMENTS

FOR MAJOR ELECTRIC UTILITIES IN 1975

Part 3: Current Construction and Financing
Plans

Applicant shall file and set forth on the record, its most current construction and financing plans. Variations in scope from the estimated construction and financing requirements presented under Part 2 of these filing requirements shall also be summarized and the reasons, therefore, stated in the filing and set forth in the record.

If current construction and financing plans differ significantly from the estimated construction and financing requirements set forth in Part 2, Applicant shall provide its comprehensive view as to the effect on both the reliability and the availability of electric energy supply in meeting its future customer demands.